Supreme Court, U.S.
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No. ____

In The

Supreme Court of the United States

October Term, 1994

NISSEI ASB COMPANY,

Petitioner,

v.

FMT CORPORATION, INC.,

Respondent.

Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

This petition raises the question of how Rule 4(a)(4) of the Federal Rules of Appellate Procedure, which extends the time to file an appeal pending the determination of post-trial motions, applies in a patent infringement case where liability and damages have been tried separately. Despite the seemingly clear language of the rule, this Court's holding in *Marconi Wireless Telegraph Co. v. United States*, 320 U.S. 1, 47 (1943), and its own precedent, the United States Court of Appeals for the Federal Circuit held in this case that an order determining liability is a "final" judgment on that issue and, accordingly, that post-trial motions addressed to liability, though filed within ten days of the final judgment awarding damages, did not extend the time to appeal from that final judgment.

PARTIES TO PROCEEDINGS

Petitioner is Nissei ASB Company ("**Nissei**").

(All parent companies and subsidiaries (except wholly owned subsidiaries) are as follows: Nissei ASB Machine Co., Ltd., a Japanese corporation.)

Respondent is FMT Corporation, Inc. ("**FMT**").

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Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR WRIT OF CERTIORARI

OPINIONS BELOW

The opinions of the United States Court of Appeals for the Federal Circuit with respect to which review is sought are unpublished and not officially reported. The opinions were issued on May 20, 1994 and on March 13, 1995. A copy of each of the opinions is included in the Appendix as Exhibits "A" and "B," respectively.

JURISDICTION

Jurisdiction in this case is premised upon 28 U.S.C. § 1254(1) (1988) in that it seeks review by writ of certiorari of the order of the United States Court of Appeals for the Federal Circuit, dated May 20, 1994, limiting the issues raised on Nissei's appeal to that court to exclude all issues relating to damages, and from its subsequent order, dated March 13, 1995, denying Nissei's Petition for Rehearing and Suggestion for Rehearing In Banc. This petition is timely, pursuant to Supreme Court Rule 13.4, in that it was filed within 90 days of the Court of Appeals' order denying Nissei's Petition for Rehearing.

STATUTORY PROVISIONS INVOLVED

1. Federal Rule of Appellate Procedure 4(a)(4)(E) and (F):

> (4) If any party makes a timely motion of a type specified immediately below, the time for appeal for all parties runs from the entry of the order disposing of the last such motion outstanding. This provision applies to a timely motion under the Federal Rules of Civil Procedure:
>
> * * *
>
> (E) for a new trial under Rule 59; or
>
> (F) for relief under Rule 60 if the motion is served within 10 days after the entry of judgment.

2. Federal Rule of Civil Procedure 59(b):

> (b) Time for Motion. A motion for a new trial shall be served not later than 10 days after the entry of the judgment.

STATEMENT OF THE CASE

This is a patent infringement case in which the issues of liability and damages were bifurcated for purposes of trial. After an "interlocutory" judgment was entered against Nissei, and affirmed on appeal by the Federal Circuit Court of Appeals, *FMT Corp. v. Nissei ASB Co.*, 5 F.3d 1504 (Fed. Cir. 1993) (table decision), but before the final determination of damages, Nissei learned that a deposition had been taken in another action which established that machinery embodying the patents-in-suit had been offered for sale in the United States more than a year before the patents had been filed thus rendering the patents invalid under section 102(b) of the Patent Act, 35 U.S.C. § 102(b) (1988). Based on this newly discovered evidence, Nissei promptly moved in the district court to vacate the liability judgment.

While that motion was pending, on October 5, 1993, the district court entered its final judgment terminating the litigation and awarding damages against Nissei and in favor of FMT. In order to assure that its right to appeal would be preserved, Nissei thereupon filed within ten days of the final judgment new motions to vacate the judgment under both Rules 59 and 60(b) of the Federal Rules of Civil Procedure. On December 21, 1993, the district court denied all of Nissei's post-trial motions on

the ground that they were untimely, in that they had not been made within one year of the initial liability judgment.

Within thirty days of the district court's December 21, 1993 order denying Nissei's post-judgment motions, Nissei filed its notice of appeal seeking review of both the final judgment awarding damages and the denial of its post-trial motions. FMT thereupon moved in the Court of Appeals to dismiss the entire appeal as untimely. Treating the issue as one of first impression, the Court of Appeals denied FMT's motion with respect to the order denying post-trial relief but granted the order with respect to the final judgment on damages, thus limiting Nissei's appeal solely to the availability of post-trial relief from the liability judgment.

The Court of Appeals' principal rationale for that decision was its conclusion that the district court's original judgment determining liability was "final" with respect to liability issues. Thus, it held that the motions seeking to vacate that determination had to be brought within ten days of the determination of liability to extend the time to appeal. The court buttressed its conclusion by invoking the "law of the case" doctrine, stating that its prior affirmance of the liability determination limited Nissei's right to seek to reopen that determination at a later date. Since Nissei's motions related only to liability, the court concluded that they were "untimely" and did not toll Nissei's time to appeal the damages judgment, even though they were indisputedly made within ten days of the entry of that judgment. The Court of Appeals stated:

> However, Nissei may not seek review of the damages judgment because it failed to timely appeal therefrom. Nissei's argument that the 1992 liability judgment was 'interlocutory' and thus that its 'R.59' motion for a new liability trial was timely is misplaced. After this court affirmed the district court's liability judgment, this court's decision was the law of the case on liability issues.

May 20, 1994 order, Appendix A, at 3.

In compliance with the May 20, 1994 order, Nissei limited its further briefs and argument in the appeal to the issues raised by the district court's denial of its Rule 60(b) motions to reopen the liability judgment. On January 12, 1995, the Federal Circuit issued a per curiam opinion which reads, in its entirety, as follows:

> [District] Judge Tidwell did not have the benefit of *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 31 U.S.P.Q.2d 1001 (Fed. Cir. 1994) at the time he ruled. That case makes clear that the judgment below was not final until October 5, 1993. Therefore, the Rule 60(b)(2) motion was timely and should have been heard. Accordingly, the December 21, 1993 order denying consideration of Nissei's motion under Rule 60(b)(2) is reversed and the case is remanded for consideration of the motion on its merits.

Thus, in contrast to its original May 20, 1994 order, the Court of Appeals ultimately recognized that the district court's April 1992 liability decision was *not* a final order and that no final order was entered until the October 5, 1993 judgment awarding damages. As a result, Nissei was held to be entitled to a consideration, on the merits, of its

motion to reopen the original liability judgment but was still denied any appellate review on the issue of damages.

On January 25, 1995, Nissei timely filed a Petition for Rehearing and Suggestion for Rehearing In Banc asking the Court of Appeals to apply the rationale articulated in its January 12, 1995 decision to its previous May 20, 1994 order and to recognize that Nissei's post-trial motions, brought within ten days of the entry of the final judgment, were effective to toll Nissei's time to appeal from the issues raised in that October 5, 1993 judgment. However, by order dated March 13, 1995, the Court of Appeals denied Nissei's petition.

REASONS FOR GRANTING THE WRIT

The effect of the Court of Appeals' May 20, 1994 order was to create a special rule in bifurcated patent cases which renders the extension of the time to appeal a post-trial motion dependent upon the issues raised in the motion. If the motion relates only to liability, it does not extend the time to appeal the final judgment awarding damages and the litigant is required to file two separate appeals in order to preserve its full right of review.

The decision below is inconsistent with both the express language of and the policy behind Rule 4(a)(4) of the Federal Rules of Appellate Procedure, which has been recently amended to provide that the time to appeal a final judgment begins to run from the denial of all post-trial motions made within ten days of the entry of judgment and which is designed to assure, to the extent possible, that all aspects of a case should be consolidated

in a single appeal and to reduce procedural traps for unwary litigants.

Furthermore, the rationale of the decision – that the initial determination of liability is a "final" judgment on that issue – directly conflicts with this Court's decision in *Marconi Wireless Telegraph Co. v. United States*, 320 U.S. 1, 47 (1943), that an interlocutory liability decision in a bifurcated patent infringement action does *not* become "final" until the entry of judgment after the damages phase. This principle was expressly recognized and applied by the Federal Circuit Court of Appeals in its recent decision in *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir.), *cert. denied*, 115 S. Ct. 582 (1994) and, indeed, in its ultimate holding on the portion of the appeal it considered in this very case. The Federal Circuit's failure to follow *Marconi Wireless* also puts it in conflict with the decisions of other federal courts of appeal on this issue.

The Court of Appeals' May 20, 1994 invocation of the "law of the case" doctrine to justify its conclusion also conflicts with clear precedent of this Court regarding the nature and applicability of that doctrine. Whether or not its affirmance of the original liability judgment "was the law of the case on the liability issues" (May 20, 1994 order, Appendix A, at 3; *but see, e.g., Whimsicality v. Rubie's Costume Co.*, 836 F. Supp. 112, 116 (E.D.N.Y. 1993)), numerous Supreme Court precedents establish that the law of the case doctrine merely directs a court's discretion but does not limit its power or obligation to consider issues. *See, e.g., Arizona v. California*, 460 U.S. 605, 618 (1983).

I. RULE 4(a)(4) OF THE FEDERAL RULES OF APPELLATE PROCEDURE APPLIES TO NISSEI'S APPEAL AND DICTATES THAT ITS NOTICE OF APPEAL WAS TIMELY

In 1979 this Court adopted Rule 4(a)(4) of the Federal Rules of Appellate Procedure to provide that a party's time to appeal a final judgment did not begin to run until the disposition of various post-trial motions, including motions for a new trial under Rule 59 of the Federal Rules of Civil Procedure. Rule 4(a)(4) also provided that "[a] notice of appeal filed . . . before [the] disposition of any of the above motions" shall have no effect.

The purpose of this rule, as stated by the Advisory Committee, is to eliminate the need for separate appeals from a judgment and post-trial motions which might affect that judgment, thus simplifying the practice for litigants and promoting judicial economy:

> [I]t would be undesirable to proceed with the appeal while the district court has before it a motion the granting of which would vacate or alter the judgment appealed from. . . . Further, since a notice of appeal filed before the disposition of a post-trial motion, even if it were treated as valid for purposes of jurisdiction, would not embrace objections to the denial of the motion, it is obviously preferable to postpone the notice of appeal until after the motion is disposed of.

Fed. R. App. P. 4(a)(4) advisory committee's note to 1979 amendments (subdivision (a)(4)).

On December 1, 1993, Rule 4(a)(4) was amended to add motions for relief under Rule 60 to the list of motions

tolling the time to appeal "if the motion is served within ten days after the entry of judgment." Fed. R. App. P. 4(a)(4)(F). The more recent amendment was intended to strengthen the underlying principle of the rule by extending it to all motions which might have the effect of vacating or altering a judgment and by eliminating the need to engage in the sometimes difficult task of distinguishing between a motion under Rule 59 and Rule 60. *See* Fed. R. App. P. 4(a)(4) advisory committee's note to 1993 amendment.[1]

The rule adopted by the Court of Appeals in this case is not only inconsistent with the language of Rule 4(a)(4) but runs directly contrary to its underlying policy. The grant of a motion to vacate a determination of liability will have the same potential effect on a pending appeal from a final judgment awarding damages as a motion which addresses only issues related to damages; in either case, the motion has the potential of vacating or substantially altering the final judgment. It would be pointless, wasteful and directly inconsistent with the express policy embodied in Rule 4(a)(4) to permit, let alone require, the

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[1] Although the 1993 amendment to Rule 4 makes it unnecessary to reach the question, Nissei's post-judgment motion was properly brought under Rule 59, rather than Rule 60(b). A party's right to seek relief based on newly-discovered evidence under Rule 60(b)(2) does not even come into play unless the new evidence "by due diligence could not have been discovered in time to move for a new trial under Rule 59(b)." Fed. R. Civ. P. 60(b)(2). Thus, if a party is aware of new evidence in time to seek relief under Rule 59, it should do so rather than involving Rule 60(b)(2). *See* 6A James W. Moore, *Moore's Federal Practice* ¶ 59.17, at 59-317 (2d ed. 1995); 11 Charles A. Wright & Arthur R. Miller, *Federal Practice and Procedure* § 2812, at 86-87 (1973).

appeal from the final judgment to proceed while post-trial motions relating to liability are still pending.

Yet, that is precisely the effect of the decision below. If the decision is permitted to stand, litigants in patent infringement cases which are bifurcated (a common practice in such cases) who make post-trial motions addressed to liability issues will be required to separately appeal the final judgment on damages while their motions are pending if they wish to preserve their right to appeal from the final judgment. Fees will be paid, briefs filed and appeals may even be argued and decided by the court of appeals, while the district court is still considering whether or not the underlying determination of liability upon which the whole judgment is premised should stand or fall. This is precisely the situation that Rule 4(a)(4) was intended to prevent, and there is no reason why it should not be applied on its terms.

II. THE COURT OF APPEALS IGNORED CONTROLLING SUPREME COURT PRECEDENT IN HOLDING THAT NISSEI'S RULE 59 MOTION, FILED WITHIN TEN DAYS OF THE DISTRICT COURT'S FINAL JUDGMENT, WAS UNTIMELY AND DID NOT TOLL THE TIME TO FILE A NOTICE OF APPEAL

A. The Supreme Court Has Clearly Held That a Liability Judgment in a Bifurcated Patent Infringement Case is Merely Interlocutory and Does Not Constitute a Final Judgment

The expressed rationale for the decision of the Court of Appeals was its assumption that "the district court's

April 2, 1992 liability judgment was final for purposes of appeal." May 20, 1994 order, Appendix A, at 6. From this it concluded that Nissei's Rule 59 motion addressed to that judgment "was untimely and did not toll the appeal period." *Id.* The Court of Appeals' conclusion that the liability judgment was "final" is directly contrary to Supreme Court precedent and fails to recognize the crucial distinction between appealable interlocutory orders and final judgments terminating litigation.

In *Marconi Wireless Telegraph Co. v. United States*, 320 U.S. 1 (1943), this Court expressly recognized that, even though a liability judgment in a bifurcated patent case is appealable under what is now 28 U.S.C. § 1292(c) (1988), it is not "final" for purposes of the availability of post-trial relief. In reversing the trial court's refusal to consider new evidence relating to liability during the damages phase of a case, this Court held:

> Although the interlocutory decision of the Court of Claims on the question of validity and infringement was appealable, as are interlocutory orders of the district courts in suits to enjoin infringement [citing to the predecessor statute of 28 U.S.C. § 1292(c)], the decision was not final until the conclusion of the accounting. Hence the court did not lack power at any time prior to entry of its final judgment at the close of the accounting to reconsider any portion of its decision and reopen any part of the case.

Id. at 47 (citations omitted). *See also Liberty Mut. Ins. Co. v. Wetzel*, 424 U.S. 737, 746 (1976) (in enacting 28 U.S.C. §§ 1291 and 1292, Congress made provision for appeal of orders which are not " 'final decision[s]' "); *Johns-Manville Corp. v. Guardian Indus. Corp.*, 116 F.R.D. 97, 100 (E.D.

Mich.) (citing the language of *Marconi Wireless* quoted above, to hold that "[t]he fact that a liability judgment may be appealed pursuant to 28 U.S.C. § 1292(c)(2) does not alter its interlocutory character"), *appeal dismissed on other grounds*, 835 F.2d 871 (Fed. Cir. 1987).

Recognizing this, cases from other circuits have been virtually uniform in holding that an interlocutory judgment on liability in a bifurcated case *does not* trigger the ten-day time limit for filing a Rule 59 motion which might involve or relate to that liability judgment. *See, e.g., Warner v. Rossignol*, 513 F.2d 678, 684 n.3 (1st Cir. 1975) ("We do not accept plaintiff's contention that a new trial motion with respect to liability had to be filed within ten days of entry of the interlocutory judgment . . . . 'The judgment' referred to in Fed. R. Civ. P. 59(b) is the final judgment that will be entered after damages are assessed."); *Garrett v. Blanton*, No. 89-4367, 1993 WL 17697, at *3 (E.D. La. Jan. 20, 1993) (interlocutory ruling in liability phase of bifurcated case did not constitute final judgment for purposes of Rule 59); *Manos v. Trans World Airlines, Inc.*, 324 F. Supp. 470, 488 (N.D. Ill. 1971) (ten-day time limits in Rule 59(b) and (e) do not apply to interlocutory judgment following liability decision in bifurcated case). The Court of Appeals' decision in this case squarely conflicts with this line of well-established precedent, thus further compelling review by this Court.

Indeed, shortly after it issued its May 20 order, but before its denial of rehearing, the Federal Circuit Court of Appeals itself relied upon *Marconi Wireless* as controlling authority to hold that an interlocutory liability judgment in a bifurcated patent infringement case does not become final until the entry of the damages judgment concluding

the litigation. In *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir.), *cert. denied*, 115 S.Ct. 582 (1994), decided less than three weeks after the Court of Appeals' May 20, 1994 order in this case, another panel of the Federal Circuit held that, because an interlocutory liability judgment does not end the litigation on the merits, the "provision for interlocutory appeal [under section 1292(c)(2)] does not render a district court decision on fewer than all issues in the case a 'final' decision." *Id.* at 1581 (citing *Marconi Wireless*).

Finally, and perhaps most ironically, the panel in this very case, relying on *Mendenhall* as controlling authority, reversed the holding of the district court that Nissei's post-trial motion was untimely under Rule 60(b) because it was filed more than a year after the entry of the judgment on liability. Thus, the very same panel in the very same case has held, for no articulated or explicable reason, that even though the district court committed reversible error when it held that Nissei's Rule 60(b) motion was untimely, the panel still considered Nissei's post-trial motions to be untimely for purposes of extending Nissei's time to appeal from the final judgment on damages.

B. The May 20, 1994 Order Ignored Supreme Court Precedent Regarding the Law of the Case Doctrine In Applying It, Apparently for the First Time Ever, to Determine the Timeliness of a Post-Judgment Motion

In what is apparently the first decision of its kind by this or any other federal court, and directly in the face of controlling Supreme Court precedent to the contrary, the

Court of Appeals also misapplied the law of the case doctrine to support its holding that a motion for new trial under Rule 59, made within ten days of the final damages judgment in a bifurcated case, did not toll the time to file a notice of appeal from that final judgment. Because this Court has repeatedly held that the law of the case doctrine does not limit a court's *power* or *jurisdiction* to reconsider a previously decided issue, the Court of Appeals' decision is plainly wrong. Moreover, it constitutes a dangerous extension of the law of the case rule which merits review by this Court.

The law of the case doctrine is based upon the need for judicial economy and provides that a court will not generally revisit an issue once decided in the litigation. However, while "courts are often eager to avoid reconsideration of questions once decided in the same proceeding, it is clear that all federal courts retain power to reconsider if they wish." 18 Charles A. Wright & Arthur R. Miller, *Federal Practice and Procedure* § 4478, at 789 (1981). This Court has repeatedly made clear that the law of the case doctrine "merely expresses the practice of courts generally to refuse to reopen what has been decided, not a limit to their power." *Messinger v. Anderson*, 225 U.S. 436, 444 (1912). *See also Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 817 (1988) (citing *Messinger*); *Arizona v. California*, 460 U.S. 605, 618 (1983) ("Law of the case directs a court's discretion, it does not limit the tribunal's power.").

Moreover the law of the case doctrine is totally inapplicable where, as here, a litigant is raising new matters which have never previously been considered and passed upon by the court. Yet, that is precisely what the May 20

order does: by invoking the law of the case doctrine in a manner contrary to Supreme Court precedent, the Court of Appeals has prevented Nissei from presenting issues *never previously reviewed* by any court.

The Court of Appeals apparently reached this unprecedented result by concluding that the law of the case doctrine retroactively transformed an otherwise interlocutory liability order of the district court into a "final" order, which rendered the district court powerless, or without jurisdiction, to hear an otherwise timely Rule 59 motion filed within ten days of the final judgment. However, no case cited in the Court of Appeals' May 20 order makes, or even hints at, such a result, nor has Nissei located any other federal case from any jurisdiction so holding. In fact, the only case Nissei has located involving this particular procedural situation expressly held that a Rule 59 motion challenging a previous decision on patent validity and liability, which had been affirmed on interlocutory appeal, filed within ten days of the final damages judgment did effectively toll the time for filing a notice of appeal from that judgment. *See Bros Inc. v. W.E. Grace Mfg. Co.*, 320 F.2d 594, 600-01 (5th Cir. 1963).

This Court's precedents establish that the law of the case doctrine serves only to guide the district court's discretion in deciding whether to reconsider the merits of a previous decision which has been affirmed on appeal in an earlier phase of the same litigation. Even if (contrary to fact) that was the purpose of Nissei's post-trial motions, Nissei was still entitled to request such reconsideration and its motion for such relief would not be ineffective to extend the time to appeal from a judgment.

On the contrary, it is well established that even a totally meritless motion is still effective, under Rule 4(a)(4), to extend the time to appeal. *See* 6A James W. Moore, *Moore's Federal Practice* ¶ 59.09[4], at 59-243 (1994).

In this case, moreover, Nissei's post-trial motions were premised entirely on its discovery of new evidence *after* the liability trial and interlocutory appeal. There was no issue raised in the motions which was previously considered by the district court or the Court of Appeals and the "law of the case" doctrine thus was patently inapplicable, as recognized even in the very decisions relied upon by the Court of Appeals here. *See Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1580 (Fed. Cir. 1983) (law of the case doctrine should not apply where " 'the evidence on a subsequent trial was substantially different' ") (quoting *Moore's Federal Practice* ¶ 0.404[1] (1983)); *United States v. Turtle Mountain Band of Chippewa Indians*, 612 F.2d 517, 521 (Ct. Cl. 1979) (expressly recognizing the "substantially different evidence exception").

To the extent the Court of Appeals may have been motivated in its decision by a desire to discourage litigants from using post-trial motions to raise issues which it has already decided, it chose a curious procedural instrument to accomplish that end; the decision below did not have the effect of preventing Nissei from relitigating anything it argued in the prior appeal. Quite the contrary, it was only the attack on the liability judgment which Nissei was permitted to appeal; it was the appeal from the judgment on damages, which had *never* previously been reviewed or considered by the Court of Appeals, that was precluded by the court's decision.

In sum, the decision below is directly inconsistent with and, if permitted to stand, will frustrate the purpose of Rule 4(a)(4) of the Federal Rules of Appellate Procedure. It is premised upon reasoning which is directly contrary to established precedents of this Court and other courts of appeal and which was expressly rejected by the Federal Circuit itself in at least two subsequent decisions – including its ultimate holding in this very case. Yet its result has been reaffirmed. As the only decision directly on point by the only court with jurisdiction to hear appeals in patent infringement cases, it stands as a uniquely important precedent which merits this Court's consideration and review.

CONCLUSION

For all of the above reasons, Petitioner Nissei ASB Company respectfully requests that its Petition for Writ of Certiorari be granted.

Dated: June 12, 1995.

Respectfully submitted,

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EXHIBIT A

(Filed May 20, 1994)

NOTE: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

United States Court Of Appeals
for the Federal Circuit

94-1173

FMT CORPORATION, INC.,

Plaintiff-Appellee,

v.

NISSEI ASB COMPANY,

Defendant-Appellant.

ON MOTION

Before RICH, MICHEL, and PLAGER, *Circuit Judges.*

RICH, *Circuit Judge.*

ORDER

FMT Corporation, Inc. moves to dismiss "portions" of Nissei ASB Company's appeal as untimely and requests an award of attorney fees under Fed. R. App. P. 38. We treat FMT's motion as a motion to limit review on appeal to certain specified issues. Nissei opposes.

This matter stems from FMT's action against Nissei for patent infringement in the United States District Court for the Northern District of Georgia. On April 2, 1992, the district court issued an order and judgment holding FMT's patents not invalid, finding Nissei

infringed, and enjoining Nissei from further infringement. Nissei appealed and this court affirmed. *FMT Corp. v. Nissei ASB Co.*, No. 92-1337, -1357 (Fed. Cir. Aug. 2, 1993).

Meanwhile, the damages case proceeded in the district court. After a trial on damages before a special master, but before a final judgment had been entered, Nissei filed a Fed. R. Civ. P. 60(b) motion requesting the district court to reopen its April 2, 1992 liability judgment as it related to validity. On October 5, 1993, judgment was entered assessing $1.6 million in damages against Nissei. Nissei did not notice an appeal from the damages judgment. Nissei renewed its R. 60(b) motion or, in the alternative, moved under "Fed. R. Civ. P. 59" for a new trial on liability based on the asserted new evidence that was the basis for its R. 60(b) motions.

On December 22, 1993, the district court denied Nissei's R. 60(b) motion. The district court noted that the April 1992 liability judgment was a final judgment and, thus, refused to consider Nissei's arguments based on R. 59.* The district court also granted FMT's motion for attorney fees associated with Nissei's "Rule 60 and Rule 59 motions and renewal motions."

On January 20, 1994, Nissei filed a notice of appeal seeking review of the October 5, 1993 damages judgment, of "all prior orders in this action," and of the December

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* Under R. 59, a motion for a new trial must be served not later than 10 days after the entry of judgment. In this case, Nissei's R. 59 motion was filed 18 months after the liability judgment.

22, 1993 order denying its R. 59 and R. 60(b) motions and awarding attorney fees.

FMT argues that Nissei may not seek review of the October 5, 1993 damages judgment or any matters related thereto because Nissei failed to file a notice of appeal within 30 days of the damages judgment. FMT argues that Nissei's "R. 59" motion for a new liability trial was not a timely R. 59 motion that would toll the time for filing a notice of appeal under Fed. R. App. P. 4(a). In response, Nissei argues that the April 2, 1992 liability judgment was interlocutory, that no final judgment was entered until the October 5, 1993 damages judgment, and, thus, that the R. 59 motion (filed within 10 days of the damages judgment) tolled the time for appeal until 30 days after the district court denied the motion.

Nissei has timely appealed and may seek review only of the district court's denial of its R. 60(b) motion and the award of attorney fees against it. The denial of a R. 60(b) motion is appealable. *See Browder v. Director, Dep't of Corrections*, 434 U.S. 257, 263 n.7 (1977); *Ashland Oil, Inc. v. Delta Oil Products Corp.*, 806 F.2d 1031 (Fed. Cir. 1986). However, Nissei may not seek review of the damages judgment because it failed to timely appeal therefrom. Nissei's argument that the 1992 liability judgment was "interlocutory" and thus that its "R. 59" motion for a new liability trial was timely is misplaced. After this court affirmed the district court's liability judgment, this court's decision was the law of the case on the liability issues.

The law of the case doctrine "expresses the practice of the courts generally to refuse to reopen what has been

decided." *Central Soya Co. Inc., v. Geo. A. Hormel & Co.*, 723 F.2d 1473, 1580 (Fed. Cir. 1983). *United States v. Turtle Mountain Band of Chippewa Indians*, 612 F.2d 517 (Ct. Cl. 1979) is instructive. In that case, the United States had previously appealed a liability determination, which the Court of Claims affirmed. After a damages award of $52 million, the United States appealed again. In the context of the second appeal, the United States sought review of certain liability rulings. Our predecessor court stated:

> The provision in the Indian Claims Commission Act that permitted appeals to this court from "any interlocutory determination by the Commission establishing the liability of the United States" (25 U.S.C. § 70s(b) (1976), confirms the soundness of treating the decision in such an appeal as the law of the case. The provision was designed to give the parties before the Commission the opportunity to avoid the time and expense involved in litigating questions relating to the amount of recovery until the liability of the United States was definitively determined. Having chosen to seek interlocutory review of the Commission's determination of the date of extinguishment of aboriginal title, the government should not be permitted a second chance to litigate that question because it is dissatisfied with the outcome of the first appeal. To permit such relitigation would frustrate the basic policy of the interlocutory appeals provision of the Indian Claims Commission Act.
>
> We have applied the law-of-the-case doctrine to preclude Indian Tribes from relitigating an issue determined against them in an interlocutory appeal. *Three Affiliated Tribes of the Fort Berthold Reservation v. United States*, 204 Ct. Cl.

831, *cert. denied*, 419 U.S. 901, 95 S.Ct 185, 42 L.Ed.2d 147 (1974). We follow the same practice here with respect to the United States.

> The government contends, however, that the prior decision is not the law of the case because it was rendered in an interlocutory appeal. As we have just seen, however, that argument is inconsistent with the purpose and concept of the interlocutory review provision of the Indian Claims Commission Act. Moreover, it is a common practice in this court first to determine liability and then to remand the case to the trial division for computation of damages. Issues fully resolved at the liability stage are not open for reargument in later stages. *See e.g., Trans Ocean Van Service v. United States*, 470 F.2d 604, 200 Ct. Cl. 122 (1972); *Gearinger v. United States*, 412 F.2d 862, 188 Ct. Cl. 512 (1969). The general rule, in fact, is that "once affirmed on appeal, . . . an [interlocutory] order loses its interlocutory character and becomes the law of the case." *United States ex rel. Greenhaigh v. F.D. Rich Co.*, 520 F.2d 886, 889 (9th cir. 1975). *See also National Airlines, Inc. v. International Association of Machinists & Aerospace Workers*, 430 F.2d 957, 960 (5th Cir. 1970), *cert. denied*, 400 U.S. 992, 91 S.Ct. 456, 27 L. Ed.2d 440 (1971) (issue "settled exclusively" on preliminary injunction motion is law of the case)[footnote omitted].

Turtle Mountain Band, 612 F.2d at 520-21. *See also Smith v. Vulcan Iron Works*, 165 U.S. 518, 525-26 (1897) (" . . . the merits of the case, having been once determined by the appellate court in reversing the interlocutory decree, were not open to reconsideration at a later stage of the same case, either in that court or in the court below").

Accord Trell v. Marlee Electronics Corp. 912 F.2d 1443, 1445 (Fed. Cir. 1990).

As discussed above, Nissei's argument that the liability judgment remained subject to alteration under R. 59 by the district court within the context of the damages case is incorrect. Nissei does not dispute that the district court's April 2, 1992 judgment on liability was final for the purposes of appeal pursuant to 28 U.S.C. § 1292 (c) (2). Section 1292 (c) (2) permits a party to appeal "from a judgment in a civil action for patent infringement which . . . is *final* except for an accounting" [emphasis added]. Because the district court's April 2, 1992 liability judgment was final for the purposes of appeal, Nissei's "R. 59" motion for a new liability trial, filed more than a year and half after the judgment, was untimely and did not toll the appeal period. *See Browder,* 434 U.S. at 265 (1977) (an untimely post judgment motion can not toll the running of time to appeal). Indeed, Nissei was well aware of this as evidenced by its filing of two R. 60(b) motions to reopen the liability judgment.

In sum, all that Nissei may seek review of is the district court's denial of its R. 60(b) motion and award of attorney fees.

Accordingly,

IT IS ORDERED THAT:

(1) FMT's motion to limit review is granted. Nissei's appeal is limited to review of the district court's denial of

Nissei's R. 60(b) motion and the district court's award of attorney fees.

(2) FMT's motion for attorney fees is denied.

FOR THE COURT

May 20, 1994
Date

/s/ Giles S. Rich
Giles S. Rich
Circuit Judge

cc: Alfred W. Breiner, Esq.
George L. Graff, Esq.

EXHIBIT B

(Filed March 13, 1995)

United States Court of Appeals
for the Federal Circuit

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANT, and a response thereto having been invited by the court and filed by the APPELLEE, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on March 20, 1995, unless another timely petition for rehearing is filed within the time permitted by Rule 40.

FOR THE COURT,
FRANCIS X. GINDHART, CLERK

Dated: March 13, 1995 By /s/ Diane M. Frye
Diane M. Frye
Chief Deputy Clerk

cc: GEORGE L. GRAFF
ALFRED W. BREINER

FMT CORP V. NISSEI ASB CO, 94-1173
(DCT – 1:90-cv-786)

****

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

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Supreme Court, U.S.
FILED
JUL 7 1995
CLERK

(2)

No. 94-2039

IN THE
Supreme Court of the United States
OCTOBER TERM, 1995

NISSEI ASB COMPANY,

Petitioner,

v.

FMT CORPORATION,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

---

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether the appellate court's May 20, 1994 Order was correct in holding that Nissei's appeal of the October 5, 1993 *damages* judgment was untimely because Nissei's Rule 59 motion for a new trial on the issue of *liability* was untimely and did not toll the time for appeal of the damages judgment when made eighteen months after the final *liability* judgment and after the appellate court's affirmance thereof.

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No. 94-2039

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

NISSEI ASB COMPANY,

Petitioner,

v.

FMT CORPORATION, INC.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

---

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

OPINIONS BELOW

Petitioner's statement of the opinions below is not complete. The District Court Judge's opinions on patent liability dated November 22, 1991 and February 4, 1992 are unpublished and are set forth in Appendices A and B, respectively. The District Court's Judgment on patent liability is unpublished and set forth in Appendix C. The opinion of the Court of Appeals for the Federal Circuit dated August 2, 1993 affirming the District Court patent liability judgment is unpublished and set forth in Appendix D. The District Court

Judge's opinion on damages and adopting in part a Master's Report dated October 5, 1995 is unpublished and set forth in Appendix E. The remaining opinions below are set forth in petitioner's brief.

STATUTORY PROVISIONS INVOLVED

Federal Rule of Civil Procedure 59(a) and (b) -

RULE 59. New Trials; Amendment of Judgments

(a) Grounds. A new trial may be granted to all or any of the parties and on all or part of the issues (1) in an action in which there has been a trial by jury, for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States; and (2) in an action tried without a jury, for any of the reasons for which rehearings have heretofore been granted in suits in equity in the courts of the United States. On a motion for a new trial in an action tried without a jury, the court may open the judgment if one has been entered, take additional testimony, amend findings of fact and conclusions of law or make new findings and conclusions, and direct the entry of a new judgment.

(b) Time for Motion. A motion for a new trial shall be served not later than 10 days after the entry of the judgment. (As amended February 28, 1966, eff. July 1, 1966.)

Federal Rule of Appellate Procedure 4(a)(1) and (4)[1] -

RULE 4. Appeal as of Right-When Taken

(a) Appeals in Civil Cases.

(1) In a civil case in which an appeal is permitted by law as of right from a district court to a court of appeals the notice of appeal required by Rule 3 shall be filed with the clerk of the district court within 30 days after the date of entry of the judgment or order appealed from...

(4) If a timely motion under the Federal Rules of Civil Procedure is filed in the district court by any party: (i) for judgment under Rule 50(b); (ii) under Rule 52(b) to amend or make additional findings of fact, whether or not an alteration of the judgment would be required if the motion is granted; (iii) under Rule 59 to alter or amend the judgment; or (iv) under Rule 59 for a new trial, the time for appeal for all parties shall run from the entry of the order denying a new trial or granting or denying any other such motion. A notice of appeal filed before the disposition of any of the above motions shall have no effect. A new notice of appeal must be filed within the prescribed time measured from the entry of the

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[1] Federal Rule of Appellate Procedure 4(a)(4)(E) and (F) as cited by Nissei became effective December 1, 1993 after the October 5, 1993 damages judgment involved herein and are not applicable herein.

order disposing of the motion as provided above. No additional fees shall be required for such filing. (As amended April 30, 1991, eff. Dec. 1, 1991.)

STATEMENT OF THE CASE

FMT commenced this action for patent infringement against Nissei on April 12, 1990.[2] The District Court bifurcated the trial on the issues of liability and damages.

The liability trial was held in October 1991. The District Court entered findings of fact and conclusions of law on liability under Rule 52, *F.R.Civ.P.*, by orders dated November 22, 1991 and February 4, 1992. Appendices A and B. In response to these orders, FMT filed a Rule 59 motion to take further evidence and Nissei filed a Rule 52 motion to amend the findings of fact and conclusions of law. The parties' motions were denied by Order entered March 31, 1992. FMT then moved for a judgment on liability and for an injunction. The District Court entered a final Order on liability on April 2, 1992 holding the FMT patents in suit valid and infringed and entered a permanent injunction against Nissei. Appendix C.

Nissei appealed the District Court liability judgment to the Federal Circuit on April 30, 1992, Appeal No. 92-1337, stating at page 4 of its appeal brief that "This is an appeal from a *final* order of the United States District Court for the Northern District of Georgia..." (emphasis added). FMT

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[2] FMT has no parent or subsidiary corporations.

cross-appealed, Appeal No. 92-1357. The Federal Circuit entered a Judgment affirming the District Court liability judgment on August 2, 1993. Appendix D.

The District Court appointed a Master to try the damages case. The Master held a trial on the issue of damages in November 1992. The District Court Judge adopting the Master's report in part rendered an opinion on damages on October 5, 1993 (Appendix E), and a Judgment on damages was entered October 5, 1993 awarding FMT damages, prejudgment interest and attorney fees. Concerning Nissei's litigation conduct, the District Court found that "Nissei's strategy throughout this litigation has been vexatious and harassing. Further, Nissei's behavior has confused, complicated and substantially lengthened and delayed the trial of this matter." Appendix E.

On August 26, 1993, Nissei filed a motion under Rule 60(b)(5) and (6), *F.R.Civ.P.*, asserting that the deposition testimony of a Mr. Takeuchi in *FMT Corporation, Inc. v. Constar Plastics, Inc.*, Civil Action No. 1:91-CV-3148-GET, United States District Court for the Northern District of Georgia, warranted relief from the validity finding of the District Court's April 2, 1992 liability judgment and the affirmance thereof by the Federal Circuit. FMT opposed the Nissei motion.[3]

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[3] A Master in *FMT v. Constar* rendered a report on March 10, 1995 under Rule 53(e)(5), *F.R.Civ.P.*, finding the FMT patents valid and infringed, including after consideration of the Takeuchi deposition testimony which the Master found not credible. The District Court adopted the Master's report with respect to validity and infringement by an Order and Judgment entered May 22, 1995. Contrary to Nissei's

After entry of the October 5, 1993 damages Judgment, Nissei filed a further motion on October 8, 1993 renewing its Rule 60(b)(5) and (6) motion and filed a motion on October 19, 1993 under Rule 59, *F.R.Civ.P.*, for a new trial on liability based on the same asserted new evidence. The Nissei Rules 60(b) and 59 motions were each directed to the validity finding in the April 2, 1992 liability judgment of the District Court and *affirmed* by the Federal Circuit and were said to be in the alternative. Nissei strategically chose *not* to appeal the damages Judgment within 30 days of the judgment or file a Rule 59 motion for a new trial on the damages judgment.

The District Court entered an Order on December 22, 1993 denying the Nissei Rules 60(b) and 59 motions. The District Court held that the Nissei Rule 59 motion was not timely.[4]

Nissei filed a Notice of Appeal on January 20, 1994 within 30 days of the December 22, 1993 Order on Nissei's post-trial Rule 59 and 60(b) liability motions and 107 days after the October 5, 1993 damages Judgment.

FMT moved to dismiss Nissei's appeal from the District Court's October 5, 1993 damages Judgment on the ground

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statement to this Court, FMT's patents are valid and there is no decision or credible evidence to the contrary.

[4] At all times up until at least October 19, 1993, Nissei agreed that the April 2, 1992 Order was a final judgment on liability as is clear from its statement of jurisdiction in the liability appeal to the Federal Circuit, see *supra* at p. 4; the post-trial liability motions to the district court (see, *infra*, footnote 9 at p. 12), and by its filing a Rule 60(b)(5) and (6) motion and *not* a Rule 60(b)(2) motion on August 26, 1993, as acknowledged by the Federal Circuit in its May 20, 1994 Order.

that it was untimely under Rule 4(a)(1), *Fed.R.App.P.*[5] The Federal Circuit treated the motion as a motion to limit review on appeal and granted the motion by its Order dated May 20, 1994. Exhibit A of the Appendix to the Nissei petition. The Federal Circuit held that Nissei's appeal was untimely because Nissei's Rule 59 motion for a new trial on the issue of liability was untimely and, therefore, did not toll the time for filing an appeal from the damages judgment. *id.* The Federal Circuit subsequently denied Nissei's request for reconsideration and petition for rehearing and suggestion for rehearing in banc. Exhibit B of the Appendix to the Nissei petition.

SUMMARY OF ARGUMENT

Nissei's petition for a writ of certiorari does not state any special or important reasons for granting the petition. Supreme Court Rule 10. Nissei merely missed the Rule 4(a) 30 day deadline for appealing the damages judgment.

The timely filing of a notice of appeal is "mandatory and jurisdictional". *Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 61 (1982). The Rule 4(a)(1) 30 day filing requirement is not tolled by an *untimely* Rule 59 motion for new trial. *Durango Associates v. Reflange, Inc.*, 912 F.2d 1423, 1425 (Fed. Cir. 1990). Nissei's Rule 59 motion for a new trial on liability was untimely by eighteen months and did not toll the time to appeal from the October 5, 1993 damages judgment.

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[5] Contrary to Nissei's statement of the case (p.4 of the petition) FMT did not move to dismiss the entire appeal as untimely, nor did the Federal Circuit consider FMT's motion as one of first impression.

This Court's decision in *Marconi Wireless Telegraph Co. v. United States*, 320 U.S. 1 (1943) ("*Marconi Wireless*"), is not contrary to the May 20, 1994 Order, nor are the Federal Circuit decisions in *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir. 1994), *cert. denied*, 115 S.Ct. 582 (1994) ("*Mendenhall*"), and *FMT Corporation, Inc. v. Nissei ASB Co.*, Appeal No. 94-1173 (January 12, 1995). These decisions are directed to a court's inherent power under the law of the case doctrine prior to entry of a "final" judgment ending the entire litigation. The decisions do *not* relate to or address the timeliness of a Rule 59 motion or the time to appeal from a judgment.

Accepting Nissei's arguments will create new and bad precedent. In a bifurcated patent case, the defendant infringer will be able to file multiple Rule 59 motions for a new trial, including *after* entry of a final judgment on liability *and* an appellate court's affirmance thereof. This is contrary to Rule 59, the purpose of bifurcating trials and all prior precedent of any court.

ARGUMENT

I. The May 20, 1994 Order Was Correct And The Petition For Writ of Certiorari Should Be Denied

A. Nissei's Rule 59 Motion Was Untimely

Federal Rule of Civil Procedure 59 provides in pertinent part that -

RULE 59. New Trials; Amendment of Judgments

(a) Grounds. A new trial may be granted to all or any of the parties and on all or part of

> the issues...in an action tried without a jury, for any of the reasons for which rehearings have heretofore been granted in suits in equity in the courts of the United States. *On a motion for a new trial in an action tried without a jury, the court may open the judgment if one has been entered, take additional testimony, amend findings of fact and conclusions of law or make new findings and conclusions, and direct the entry of a new judgment.*
>
> **(b) Time for Motion.** A motion for a new trial shall be served *not later than 10 days after the entry of the judgment.* (emphasis added)

The purpose of Rule 59 is to allow a party adversely affected by a judgment to move for a new trial within the 10 day period to correct any errors in the judgment prior to consideration of the judgment on appeal and *before* an appeal of the judgment within the 30 day period. This is the reason for the tolling provision of Rule 4(a), *Fed.R.App.P. Griggs v. Provident Consumer Discount Co.*, *supra*, 459 U.S. at 59-60. Accordingly, the District Court retains absolute discretion to grant a new trial in that it is *prior* to an appeal.

Rule 54, *F.R.Civ.P.*, provides that a "'Judgment' as used in these rules includes...any order from which an appeal lies." *McCullough v. Kammerer Corp.*, 331 U.S. 96 fn 2 (1943); *Marsh-McBirney, Inc. v. Montedoro-Whitney Corp.*, 882 F.2d 498, 502 (Fed. Cir. 1989). The term "judgment" includes, in addition to a final order, any interlocutory order

that is immediately appealable. 6A James Wm. Moore, *Moore's Federal Practice* ¶¶ 58.02 and 58.03 (2d ed. 1995). A judgment is entered when it is noted on the District Court's docket. Rule 58, *F.R.Civ.P.* A judgment entered on liability in a patent case is immediately appealable and requires no Rule 54(b) certification. 28 U.S.C. §1292(c); *McCullough v. Kammerer Corp., supra*; *H.A. Jones Company, Inc. v. KSM Fastening Systems*, 745 F.2d 630 (Fed. Cir. 1984); *In re Calmar Inc.*, 854 F.2d 461, 463-464 (Fed. Cir. 1988); *Johannsen v. Pay Less Drug Stores Inc.*, 918 F.2d 160, 162-163 (Fed. Cir. 1990); *Shamrock Technologies, Inc. v. Medical Sterilization, Inc.*, 903 F.2d 789, 790 fn 3 (Fed. Cir. 1990). Accordingly, the April 2, 1992 Order on liability in this case is a "judgment" within the meaning of Rule 59 and the 10 day time period began to run from this date.

A Rule 59 motion for new trial in a patent case must be filed not later than 10 days after the entry of the appealable judgment or it is untimely. *FMT Corporation, Inc. v. Nissei ASB Co., No. 94-1173* (Fed. Cir. May 20, 1994); *E.I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, 723 F.Supp. 1023, 1024 (D. Del. 1989) ("*DuPont*").[6] Similar to the Federal Circuit's May 20, 1994 Order, the Court in *DuPont* deciding this identical issue held that -

> Because the March 6, 1989 judgment was final except for an accounting, the judgment was then appealable by Phillips under 28 U.S.C. §1292(c)(2). Thus, under Rule 59(e), Phillips'

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[6] The motion may also be filed before the formal entry of the judgment as done by FMT and Nissei in this case. *Jurgens v. McKasy*, 905 F.2d 382, 386 (Fed. Cir. 1990), *cert. denied*, 112 S.Ct. 281 (1991).

> present motion for a new trial, or its alternative motion to open the record (D.I. 326) filed on August 30, 1989, comes too late. That motion was required to have been filed within 10 days after the entry of the appealable judgment entered on March 6, 1989. Rule 59(b), Fed.R.Civ.P. It was not filed until almost six months later.

DuPont, supra, 723 F.Supp at 1024.[7] The Seventh Circuit Court of Appeals in a non-patent case similarly held that a Rule 59 motion must be filed no later than 10 days after the judgment it seeks to alter or amend. *Winston Network, Inc. v. Indiana Harbor Belt Railroad Co.*, 944 F.2d 1351, 1362 (7th Cir. 1991) (holding notice of appeal from damages judgment was untimely when filed more than 30 days after the damages judgment but within 30 days after the denial of an *untimely* Rule 59 motion on the liability judgment).

Rule 59 is a procedural device to allow a District Court to correct errors in an appealable judgment not later than 10 days from entry of the judgment and before an appeal to the Circuit Court of Appeals. *Tarlton v. Exxon, 688 F.2d 973*, 977-979 (5th Cir. 1982), *cert. denied*, 463 U.S. 1206 (1983) ("*Tarlton*") (followed by the Federal Circuit in *Snellman v. Ricoh Co. Ltd*, 836 F.2d 528, 532-534 (Fed. Cir. 1987). The purpose of the 10 day period is to promote finality of judgments. As the Federal Circuit held in its May 20, 1994 Order, once an appellate court renders a decision on an

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[7] Nissei incredibly states in its petition that it has found no cases directly on point on this issue. Nissei petition, p.15. The *Dupont* decision and the law cited herein were of record before the Federal Circuit.

appealed judgment, the District Court does *not* have the authority to grant a new trial under Rule 59 in view of the law of the case doctrine. *Central Soya Co., Inc. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1580 (Fed. Cir. 1983); *United States v. Turtle Mountain Band of Chippewa Indians*, 612 F.2d 517 (Ct. Cl. 1979).[8]

In the present case, the District Court rendered findings of fact and conclusions of law under Rule 52(a) and held the FMT patents valid and infringed. The parties filed Rule 52(b) and Rule 59 motions.[9] The Court denied these motions and

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[8] Similarly, Rule 52(b), *F.R.Civ.P.*, provides that -

> Upon motion of a party made *not later than 10 days after entry of judgment* the court may amend its findings or make additional findings and may amend the judgment accordingly. The motion may be made with a motion for a new trial pursuant to Rule 59. (emphasis added)

Rules 52 and 59 are closely related and have the same time requirement. A Rule 52(b) motion on liability would not have been proper or timely in this case on October 19, 1993.

[9] In opposing FMT's Rule 59 motion, Nissei argued that -

> FMT's motion under Rule 59 is untimely and should be denied. Rule 59(b) provides: 'A motion for a new trial shall be served not later than 10 days after the entry of the judgment'. A document labeled 'judgment' was not entered in this case, *but a final order was entered and docketed on February 5, 1992. Any motion for a new trial from that final order should have been served not later than February 19, 1992* (excluding the weekends and the day of docketing). Instead, the motion purports to be served on February 24, five days too late. (emphasis added) (continued)

entered a judgment on liability and a permanent injunction on April 2, 1992. This was a final judgment on the issue of liability and immediately appealable. 28 U.S.C. §1292(c); *McCullough v. Kammerer Corp.*, *supra*; *H.A. Jones Company, Inc. v. KSM Fastening Systems*, *supra*. The Federal Circuit's May 20, 1994 Order correctly held that Nissei's October 19, 1993 Rule 59 motion for new trial on liability was untimely by eighteen months and did not toll the time to appeal the October 5, 1993 damages judgment. Since no timely Rule 59 motion was filed for a new trial on damages, no appeal could be taken from the damage phase of the case.

B. The Decision In *Marconi Wireless* Is Not Controlling

Based on this Court's decision in *Marconi Wireless* and the Federal Circuit decision in *Mendenhall*, Nissei argues that this Court should change the law and adopt as precedent that a Rule 59 motion for a new trial on the issue of liability in a bifurcated patent case may be made at any time up to 10 days after the final judgment *finally* ending the entire case, including after an affirmance by an appellate court of a district court's liability judgment. Nissei's argument is based on the flawed premise that the Rule 59 time limit does not start until entry of a "final judgment" ending the *entire* case. As the Federal Circuit correctly held in its May 20, 1994 Order, this is not the law and would be in conflict with the law of the case doctrine.

Docket Entry 142. Accordingly, when it was to Nissei's benefit, Nissei agreed with the Federal Circuit's May 20, 1994 Order.

Nissei argues that this Court's decision in *Marconi Wireless* and the Federal Circuit decision in *Mendenhall* require a different result. Nissei is in error.

First. The decision in *Marconi Wireless* and as cited in *Mendenhall* and in *Johns-Manville Corp. v. Guardian Industries Corp.*, 116 F.R.D. 97 (E.D. Mich.), *appeal dismissed*, 835 F.2d 871 (Fed.Cir. 1987) are inapposite and this argument was correctly rejected by the Federal Circuit. These decisions do *not* relate to the timeliness of a Rule 59 motion but rather to a court's inherent power to reconsider portions of its decision as limited by the law of the case doctrine. For example, the Court in *Johns-Manville*, citing *Marconi Wireless*, found Rule 60(b) inapplicable and applied the law of the case doctrine, not Rule 59.

Second. The decision of the three judge panel in *Mendenhall* did not and could not change the Federal Circuit's prior precedent. *South Corp. v. United States*, 690 F.2d 1368, 1370 fn 2 (Fed. Cir. 1982). For example, the Federal Circuit specifically held in *Snellman v. Ricoh Co. Ltd.*, *supra*, 836 F.2d at 533-34, that a Court's authority to modify any part of a judgment under Rule 54(b) does *not* nullify Rule 59's time limitation. The Court in *Snellman* correctly followed and applied the Fifth Circuit decision in *Tarlton*, *supra*, 688 F.2d at 977-79, and held that Rule 59 does not apply only to a "final" or "appealable" judgment.

Third. The decision in *Mendenhall* is directed to a "final judgment" in applying the equitable doctrine of collateral estoppel *not* to a Rule 59 motion. The Court in *Mendenhall* was concerned with a "final judgment" in the sense of "finally" ending the case. *Mendenhall* was solely concerned

with whether the Court could apply the equitable doctrine of collateral estoppel. The Court concluded that since the case was still pending, i.e. not "finally" concluded, that this equitable doctrine could be considered.[10] Policy considerations that an adjudicated invalid patent can not be infringed underlie the decision in *Mendenhall* and are inapplicable herein as the FMT patents in suit were judged valid by the District Court in *FMT v. Nissei* and affirmed on appeal. Similarly, the District Court in *FMT v. Constar* has now also again upheld the validity of the FMT patents.

Rule 59(b) speaks only of "the entry of the judgment" not a "final judgment" finally ending the case. There can be a "final judgment" on certain claims or issues in a case without having a "final judgment" which ends the entire case. *Curtis-Wright Corp. v. General Electric Co.*, 446 U.S. 1, 7 (1980); *Snellman v. Ricoh Co. Ltd., supra*; *W.L. Gore v. Intern. Medical Prosthetics Research*, 975 F.2d 858, 861-864 (Fed. Cir. 1992); *Illinois Tool Works, Inc. v. Brunsing*, 378 F.2d 234, 236 (9th Cir. 1967).

Fourth. There is no conflict in the Federal Circuit May 20, 1994 Order with its January 12, 1995 decision holding that Rule 60(b) does not begin to run until the final judgment ending the entire case. Rule 60(b) is a different procedural tool. Rule 60(b) is directed to a "final judgment" and Rule 59 is directed to a "judgment". The word "final" must be given

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[10] In order to apply collateral estoppel, the Federal Circuit exercised its discretion to allow the accused infringer to raise the Rule 8(c), *F.R.Civ.P.*, affirmative defense of collateral estoppel out of time. The Rule 59(b) time limit may not be amended. Rule 6, *F.R.Civ.P.*; *Tarlton v. Exxon, supra*, 688 F.2d at 977.

meaning. The "Notes of Advisory Committee and Rules" for the 1946 Amendment for Rule 60(b) state that -

> The addition of the qualifying word "final" emphasizes the character of the judgments, orders or proceedings from which Rule 60(b) affords relief; and hence interlocutory judgments are not brought within the restrictions of the rule, but rather they are left subject to the complete power of the court rendering them to afford such relief from them as justice requires.

Fifth. The decisions relied upon by Nissei (p.12 of Nissei petition) are not patent cases and are distinguishable as they involve interlocutory judgments which were *not* immediately appealable and which the Court did *not* certify for appeal under Rule 54(b). See, *Warner v. Rossignol*, 513 F.2d 678, 684, fn 3 (1st Cir. 1975); *Garrett v. Blanton*, No. 89-4367, 1993 WL 17697, at 3 (E.D.La. Jan. 20, 1993); *Manos v. Trans World Airlines, Inc.*, 324 F.Supp. 470, 488 (N.D. Ill. 1971). They are not conflicting precedent.

C. The Result Sought By Nissei Will Change The Law And Provide Further Protracted Litigation

Patent litigation is already expensive and protracted. See, *e.g.*, *Smith Intern. v. Hughes Tool Co.*, 759 F.2d 1572, 1580 (Fed. Cir. 1985), *cert. denied*, 474 U.S. 827 (1985). This is why Congress rendered a judgment on patent liability a final judgment and subject to immediate appeal. *McCullough v. Kammerer Corp.*, *supra.* If Nissei's interpretation of the law is adopted by the Court, an accused infringer in a bifurcated patent case faced with an adverse

decision will be able to file multiple Rule 59 motions for a new trial on liability, including years after the trial court's ruling on liability and after a decision by the appellate court on appeal. If this becomes the law, there will be few bifurcated patent cases. Presumably, such precedent will also extend to *Fed.R.Civ.P.* 50(b) and 52(b).

In this case, Nissei filed a Rule 52(b) motion on liability and could also have filed a Rule 59 motion.[11] Nissei's motion was denied. Nissei then appealed the liability decision against it, including patent validity, to the Federal Circuit. Nissei's appeal was rejected and the District Court judgment was affirmed. Nissei now argues that since there was no final judgment ending the *entire* case that it has the right to again request a new trial on patent validity eighteen months after the liability judgment and after the affirmance by the appellate court. Nissei's request for multiple bites at the apple is improper and against the public policy of finality of judgments and piece-meal litigation. *Central Soya Co., Inc., supra*, 723 F.2d at 1580.

II. There Is No Special or Important Reason For Granting Certiorari

For the reasons set forth above, there are no precedent setting questions involved in this case, and Nissei's petition for a writ of certiorari should be denied.

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[11] Did Nissei waive its right to file a Rule 59 motion for a new trial after its appeal to the Federal Circuit on liability? Under Nissei's interpretation of the law, it did not and it could conceivably continue to file multiple Rule 59 motions until 10 days after the final judgment ending the entire case.

Nissei argues that the Federal Circuit's May 20, 1994 Order introduces technical distinctions for practitioners which may lead to a denial of the right to appeal for artificial reasons. The Federal Circuit's May 20, 1994 Order correctly follows the rules of procedure and prior precedent. See, *e.g.*, *Snellman v. Ricoh Co. Ltd.*, *supra*, 836 F.2d at 534. The fact that there are few reported cases such as the *DuPont* decision indicate that patent practitioners have had little trouble understanding and applying the law. The purported "hardship" on Nissei based on its strategic decision not to file a notice of appeal or a Rule 59 motion for a new trial on the damages judgment is not grounds for granting certiorari. See, *e.g.*, *Marsh-McBirney, Inc. v. Montedoro-Whitney Corp.*, *supra* (dismissing the accused infringer's appeal as untimely); *Snellman v. Ricoh Co. Ltd.*, *supra*, 836 F.2d at 531 ("This appeal is but another among those that seek only to rectify...mistakes made by counsel in the trial court.").

CONCLUSION

FMT respectfully requests that the Court deny Nissei's petition for writ of certiorari.

Respectfully submitted,

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July 7, 1995

APPENDIX

APPENDIX A

(Filed November 22, 1991)

In the United States District Court
for the Northern District of Georgia
Atlanta Division

1:90-cv-786-GET

FMT CORPORATION, INC.

v.

NISSEI ASB COMPANY

ORDER

The above-styled matter is a patent case which came on for a non-jury trial commencing on October 10, 1991.

Findings of Facts and Conclusions of Law

1. Plaintiff, FMT Corporation ("FMT"), is a New Hampshire corporation having a place of business in Londonberry, New Hampshire, and is in the business of manufacturing and selling equipment to the manufacturers of plastic containers. FMT owns the patents in suit by assignment from Emhart Industries, Inc. ("Emhart"). FMT is wholly owned by its president, Frederick J. Fedderson.

2. Emhart has been a successful producer of machines for making glass containers. In the early 1970s, Emhart formed

a plastics division to investigate and experiment with the possibility and feasibility of manufacturing plastic containers and the machinery to produce such containers.

3. John Marcinek worked in the plastics division at Emhart and ultimately developed a method of controlling the stretch characteristics of certain polymers used in a stretch blow bottle producing operation. Mr. Marcinek assigned his interest in this invention to his employer, Emhart, who then obtained the following three patents: U.S. Patent No. 4,432,530 ("the '530 patent") entitled "Mold Core Rod Combination for Forming an Injection Molded Plastic Parison"; U.S. Patent No. 4,521,369 ("the '369 patent") entitled "Method of Making Molecularly Oriented Plastic Bottles"; and U.S. Patent No. 4,588,620 ("the '620 patent") entitled "Parison for making Molecularly Oriented Plastic Bottles" (collectively "the patents in suit").

4. Defendant, Nissei ASB Company ("Nissei Atlanta"), is a Georgia corporation located in Atlanta, Georgia. Nissei Atlanta is a wholly-owned subsidiary of Nissei ASB Co. Ltd. of Japan ("Nissei Japan"), which is not a party to this action. Defendant sells throughout the United States, including in this district, machines referred to as "ASB" machines for the manufacture of plastic containers. The ASB machines are manufactured by Nissei Japan in Japan and sold to Nissei Atlanta for resale to plastic bottle makers in North America.

5. Jurisdiction is conferred upon this court under 28 U.S.C. §1338(a) and Title 35 of the United States Code.

6. Venue in this district is proper under 28 U.S.C. §1400(b).

7. Plaintiff FMT filed suit against defendant Nissei alleging infringement as prohibited by 35 U.S.C. §271 of claim 1 of the '530 patent; claim 1 of the '369 patent and claim 1 of the '620 patent respectively. The patents in suit generally concern parisons or preforms useful in making plastic containers. In the manufacture of plastic containers, a parison is first injection molded and then that parison is blown in a blow molding process to form a plastic bottle.

8. Nissei is in the business of selling machines for the manufacture of plastic containers. Nissei purchases the machines from Nissei Japan and then sells the machines to customers in the United States. The Nissei machines include an injection mold and core rod assembly for the manufacture of a parison and a blow mold for blowing the parison into a plastic bottle.

9. The '530 patent describes a mold/core rod combination for the injection molding of a parison. FMT asserts that certain Nissei machines include a mold/core rod combination that is a direct infringement of claim 1 of the '530 patent as prohibited by 35 U.S.C. § 271(a).

10. The '369 patent describes a process for manufacturing plastic containers, including the process of making an injection molded parison and then blowing that parison into a container. The '620 patent describes the actual parison which would be formed by injecting the plastic into the mold/core rod combination specified in the '530 patent. FMT asserts that the sale of the Nissei machine to Nissei customers constitutes contributory infringement and inducement to infringe claim 1 of both the '369 and the '620 patent as prohibited by 35 U.S.C. § 271(b) and (c).

11. The issue of damages has been bifurcated and will be tried later.

12. The commercial production of plastic bottles is generally accomplished by either a "one step" or a "two step" process.

13. In both the one step and the two step processes, a plastic article is first formed by injecting hot molten plastic into an injection mold. The injection mold is comprised of a core rod and a mold cavity which define the dimensions of the resulting plastic article. Once molded, this article has the general configuration of a test tube and is referred to as a "parison" or a "preform."

14. In the one step process, the parison, while still hot, is molded into a container, all in one continuous operation.

15. In the two step process, the parison is formed first and is then allowed to cool to room temperature and may be stored for future use. Thereafter, in a second step, the parison is reheated and molded into a container.

16. The heated parison, in either the one step or two step process, is transferred to a bottle mold where it is stretched longitudinally and laterally to form a bottle. This stretch is usually accomplished through the injection of pressurized air and the application of the stretch rod to the parison.

17. The Nissei ASB machine is composed of four basic stations:

(a) an injection molding station where parisons are molded by injecting hot molten PET plastic into a preform mold;

(b) a temperature conditioning station where the hot parisons are transferred to have their temperature adjusted in preparation for being stretch blow molded into a bottle;

(c) a stretch blow molding station where the parisons are transferred into a bottle mold and are stretched longitudinally and laterally within a bottle mold to form the bottle; and

(d) and ejection station where finished bottles are discharged,

whereupon the above process is repeated in a continuous operation to make more plastic bottles.

18. In the injection molding station where the parisons are formed, a "gate" is designed into the bottom of the preform mold. This gate forms part of the passageway through which the molten plastic flows into the parison mold.

19. When the molded plastic parison leaves the injection station it often exhibits a nipple-like protrusion at its bottom that corresponds to the design of the gate in the preform mold. That protrusion on the parison itself is similarly called a "gate."

20. The gate usually remains on the bottom of the parison throughout the entire manufacturing process until it is flattened into the bottom of the bottle in the stretch blow molding station. However, the gate could be removed after the parison has been injection molded without a substantial impact on the remaining steps in the manufacturing process.

21. FMT purchased from Emhart a collection of plastics technology in different parts over a period of five years. The

final segment was purchased in March 1989 and included the patents in suit. FMT purchased the technology with the intention of manufacturing and selling machinery for making the optimum plastic bottle for carbonated beverages.

22. Emhart's primary business has always been the manufacture of glass container making machinery.

23. The Marcinek parison has as claimed features: (a) sidewalls of substantially uniform thickness; (b) a bottom that is thinner than the thickness of the sidewalls and which contains a flat area or portion; and (c) a rapid transition from the thinness of the bottom to the thickness of the sidewalls.

In a stretch blow operation, the thicker parts of a plastic parison will retain more heat. The retained heat allows for more stretch. Therefore, the thick sidewalls of a Marcinek parison, which will be relatively hotter than the thin bottom section, will provide a deeper, longer stretch of the sidewalls with less deformation to the bottom. Because the bottom is thinner and therefore, cooler and harder than the sidewalls, it would be less likely for the stretch rod, commonly used in this type of operation, to puncture the bottom of the parison during the stretch blow phase of the operation.

24. An application for a patent on the Marcinek invention was filed by Emhart on December 23, 1977 (the "parent application"). Although the parent application was subsequently abandoned by Emhart, Emhart filed a continuation in part application on July 10, 1979. The patent examiner of this application stated that because three separate and distinct inventions were claimed in the application Emhart would be required to elect one of the inventions for prosecution in the application. Emhart then elected to

prosecute the mold-core combination for making a parison. The examiner rejected the claims of the application in view of U.S. Patent No. 3,191,255 issued to Polka ("Polka") on the ground that the claimed invention would have been obvious in view of Polka.

25. Emhart appealed the Examiner's decision to the Patent Office of Appeals which reversed the primary Examiner stating:

> The examiner relies upon Figures 7 and 12 [of Polka] wherein a parison mold and thermoplastic parison are depicted. The examiner estimates that the thickness of the bottom and annular corner of the parison is less than the thickness of the sidewalls and concludes that one of ordinary skill in the art would have found it *prima facia* obvious to provide sidewalls having constant thickness. In support of his conclusion, the examiner relies upon column 4 of Polka, lines 25 through 28, wherein it is disclosed that:
>
> '...a simple cylindrical parison geometry is preferred and will be adequate for most bottle shapes when prepared in the manner of this invention.'
>
> It may be concluded that one of ordinary skill in the art would have found it *prima facia* obvious to provide the parison depicted in Figures 7 and 12 of Polka with sidewalls of uniform thickness. However, since Polka fails to attribute any significance to the relative

> thicknesses of the bottom, annular corner and sidewalls of the parison, there is no basis upon which to conclude that one of ordinary skill in the art would have purposely made the bottom and annular corners thinner than the sidewalls when producing a parison having sidewalls of uniform thickness. The relative dimensions of the parison depicted in Figures 7 and 12 may very well be attributed to the fanciful shape. There is no logical reason, apart from appellants disclosure, for selecting the relative dimensions of certain parts of the parison having a fanciful shape and transposing them to a parison having sidewalls of uniform thickness. (citation omitted).

The Patent Office thereafter issued U.S. Patent No. 4,432,530 on February 21, 1984 to Marcinek who assigned it to Emhart.

26. Emhart then filed a divisional application, on January 3, 1984, which described (1) a method of making molecularly oriented plastic bottles from the Marcinek parison and (2) the parison per se. The Examiner again required an election of inventions for prosecution. Emhart chose to prosecute the process claims and the Patent Office issued U.S. Patent No. 4,521,369 to Marcinek on June 4, 1985. Marcinek assigned the patent to Emhart.

27. Emhart filed a second divisional application on March 29, 1985 which described the Marcinek parison itself. As a result of this application, U.S. Patent No. 4,588,620

issued to Marcinek on May 13, 1986 and was assigned to Emhart.

28. In about 1974, Emhart converted one of its glass making machines to a machine capable of making plastic containers. This converted machine, called the Inverted Stretch Blow or I.S. Machine, used the Marcinek inventions. Emhart used this machine to make parisons and bottles in its plastics bottle development program.

29. In approximately September of 1974, Amoco and Emhart entered into a joint venture arrangement under which both Amoco's polyethylene terephthalate ("PET") resin and Emhart's plastics technology were to be evaluated. Emhart constructed a machine for use at Amoco which made parisons and bottles employing the Marcinek inventions. This machine was known at Emhart as the "Amoco Demo Machine" and it was used at Amoco from approximately April 1986 through July 1977 to evaluate the Amoco resin as well as the Emhart technology.

30. During 1980, Emhart entered into an agreement with Sewell Plastics, Inc. ("Sewell") to provide Sewell with a demonstration machine which used Emhart's plastics technology, including the Marcinek invention. This machine was known as the DSB machine or the Delay Stretch Blow machine and was delivered to Sewell in 1981. The machine was used at Sewell for approximately one year and produced commercially acceptable bottles.

31. All three machines manufactured by Emhart: the Inverted Stretch Blow machine; the Amoco Demo Machine; and the Delay Stretch Blow machine, utilized the Marcinek invention to produce plastic parisons and bottles.

32. By mid-1982 Emhart had, for business reasons, abandoned its research in the field of plastics and disbanded its plastics group. For this reason, Emhart no longer monitored the plastics industry.

33. Emhart was not aware of any infringement by either Nissei or Nissei Japan and Emhart never accused Nissei, Nissei Japan or any of Nissei Japan's predecessors of infringement of the patents in suit.

34. FMT purchased the patents in suit for the purpose of expanding its business in the production of plastic carbonated beverage bottles.

35. Several months after purchasing the patents in suit, FMT's president, Mr. Fedderson became aware, through contacts with his customers, that certain companies, including Nissei, were using the patented Marcinek inventions. Thereafter FMT gave notice to Nissei of its alleged infringement of the patents in suit and attempted to resolve the infringement.

36. Sewell Plastics ("Sewell"), a company to which FMT had also given notice of possible infringement of the patents in suit, provided FMT with U.S. Patent No. 3,923,943 to Iriko ("the Iriko patent"). Sewell claimed that the Iriko patent disclosed the Marcinek invention prior to the patents in suit thereby invalidating the Marcinek patents.

37. When informed of the Iriko patent and the contentions advanced by Sewell, FMT filed for reexamination of the '620 patent in the U.S. Patent Office on August 14, 1989.

38. On October 4, 1989, the Patent Office issued an order denying the request to reexamine indicating that the Iriko patent was cumulative to or the same as certain prior art cited in the original patent application.

39. In April 1990, FMT commenced this action.

40. At the court's direction, the defendant has provided, by letter of October 24, 1991, certain enlargements necessary for the court's determination. Those exhibits, identified as DX 279 through DX 299, are hereby ADMITTED into evidence.

41. The defendant has contended that the patents in suit were invalid and unenforceable because (1) the claims were indefinite under 35 U.S.C. § 112; (2) the alleged invention described in Marcinek's patent application is inoperable under 35 U.S.C. § 101 and 112; (3) the patents cover parisons which were known or used in this country before the alleged invention of Mr. Marcinek as is prohibited under 35 U.S.C. §102(a); (4) the patents cover parisons which were in public use or on sale in this country more than one year prior to Mr. Marcinek's earliest effective filing date as is prohibited under 35 U.S.C. §102(b); (5) the alleged inventions claimed by the patents in suit would have been obvious, under 35 U.S.C. §103, to one skilled in the art; and (6) the patents in suit were procured through inequitable conduct. Nissei also contended that FMT should be barred from recovering any alleged past damages under the doctrine of latches. At the close of evidence, the plaintiff orally moved to dismiss the defendant's above-identified defenses on the ground that they were not adequately established by the evidence presented at trial.

Once issued, patent claims carry a presumption of validity. 35 U.S.C. § 282. One who seeks to have a patent declared invalid by a court must prove by clear and convincing evidence that such patent is indeed invalid. *Custom Accessories, Inc. v. Jeffrey-Allan Industries, Inc.*, 807 F.2d 955, 961 (Fed. Cir. 1986).

The defendant has not overcome the presumption of validity and accordingly the court granted plaintiff's motion to dismiss at the conclusion of the defendant's case during the course of the trial. All of the defenses raised by the defendant, which were the subject of plaintiff's motion to dismiss and which the court granted during the course of the trial, were granted upon the basis that the defendant had failed to sustain its burden of proof in regard to each of the defenses asserted as pointed out in the plaintiff's motion to dismiss.

42. The defendant contends that the design of the gate on each and every Nissei parison takes that parison beyond the reach of the patents in suit. To support this theory, the defendant raises three separate arguments. First, Nissei claims that the Nissei gate performs certain functions that are not performed by the gate in a Marcinek-type parison. For example, the defendant has alleged that (a) the specific design of the Nissei gate provides for the proper flow of hot molten PET into a cold parison mold in a way that minimizes the heat generated by "sheer" (i.e., friction); (b) a proper gate configuration minimizes the formation of excessive crystallinity and acetaldehyde within the parison - both of which could lead to a lower quality bottle and; (c) the gate provides thermal insulation between the nozzle of the hot runner system and the cold parison mold so that the parison cools correctly.

While the plaintiff does not agree with the defendant's assertions in this regard, FMT does not specifically deny that the gate performs the alleged functions. In fact, the plaintiff simply does not address this issue other than to say that the gate acts as a passageway through which hot molten PET plastic is injected into the mold to form the parison. The court understands the plaintiff's position to be that even if the gate performs the functions identified by the defendant, its presence and/or configuration still do not affect the essential blow characteristics as described by the patents in suit. While it may be true that high crystallinity or acetaldehyde will affect the final bottle in some way, the reduction of crystallinity and/or acetaldehyde is not the issue which the invention identified in the Marcinek patent addresses. For these reasons, the court finds that in this case, the design of the Nissei gate is not critical to the issue of whether Nissei is infringing upon the patents in suit.

Second, the defendant maintains that the presence of a gate on the bottom of a Nissei parison, in and of itself, prevents the bottom of the parison from being considered geometrically flat. However, the court concludes that in making the geometrically flat determination in relation to the claims of the patents in suit, such determination can be made without regard to the design of the gate.

Third, the defendant argues that because the gate's length should be taken into account in the determination of the thickness of the bottom of the parison, the Nissei parisons do not have bottoms that are thinner than the sidewalls, as is required by the claims of the patents in suit. This argument fails for the same reasons stated above; primarily that the dimensions of the gate should not prevent the bottom of a

parison from being considered thinner than the sidewalls. Therefore, for purposes of determining the thickness of the bottom of a parison, the gate should not be considered.

For the reasons explained, the court finds that neither the presence nor the function of the Nissei gate affect the determination of whether Nissei is infringing the patents in suit.

43. All issues other than infringement were determined by the ruling on the plaintiff's motion to dismiss leaving as the only remaining issue, whether the accused mold/core rod combinations and Nissei machines infringe the patents in suit.

The plaintiff has accused 108 of Nissei's mold/core rod combinations of direct infringement of claim 1 of the '530 patent. Further, plaintiff contends that the sale of a Nissei ASB machine which uses any one the 108 identified mold/core rod combinations constitutes contributory infringement and inducement to infringe claim 1 of both the '369 patent and the '620 patent. FMT has the burden of proving infringement by a preponderance of the evidence. *SRI International v. Matsushita Elec. Corp.*, 775 F.2d 1107, 1123 (Fed. Cir. 1985); *Lemelson v. United States,* 752 F.2d 1538, 1547 (Fed. Cir. 1985).

In order to determine whether the Nissei parison designs infringe, the court must take a two step approach. First the court should look to the language of the claim, the specifications and the prosecution history to properly construe the claims of the patents at issue in order to determine their scope. *LaBounty Manufacturing, Inc. v. United States International Trade Commission,* 867 F.2d 1572, 1574 (Fed. Cir. 1989). Then, once the claims are construed, the court

must determine whether the claims of the patents at issue encompass the accused structure." *Id.*

A. The '530 Patent

As noted above, the plaintiff has accused 108 of Nissei's mold/core rod combinations of direct infringement of claim 1 of the '530 patent. Claim 1 of the '530 patent reads, in pertinent part, as follows:

> A plastic mold-core rod combination for forming an injection molded plastic parison having a bottom, a sidewall, a shoulder, and a neck finish comprising a female parison mold...and a core rod...construed and arranged to mate and form a cavity having a bottom surface area thickness, a sidewall area thickness and an annular corner area thickness connecting said bottom and sidewalls areas, said bottom area thickness and annular corner area thickness being less than said sidewall area thickness and having a rapid transition from the thickness at the middle of said bottom cavity area to said sidewall cavity area of greater thickness, said sidewall thickness being substantially constant from said annular corner surface to the shoulder.

The court finds no modifications or limitations to the claim language in either the prosecution history or the specifications and none have been persuasively pointed out by the parties. Therefore, the court need only compare the features of the accused mold/core rod combinations sold by Nissei to the features identified in claim 1 of FMT's patent to determine

whether there has been infringement of claim 1 of the '530 patent.

Having compared claim 1 of the '530 patent to the accused mold/core rod combinations, the court finds that the following mold/core rod combinations, as identified by the defendant's exhibit numbers, do infringe upon claim 1 of the plaintiff's '530 patent: DX 147, 148, 193, 194, 197, 198, 200, 205, 206, 207, 208, 217, 224, 225, 230, 231, 233, 234, 237, 238, 239, 240, 241, 247, 257, 265, 267, 268, 269, 270, 280, 283, 284, 293, 294. The mold/core rod combinations above fit together to form a cavity that includes all of the essential requirements identified in claim 1; that is, a flat portion exists in each of the cavity's bottoms, the bottom area thickness of each cavity is thinner than that of its respective sidewalls, the sidewall area thickness of each cavity remains substantially constant from the annular corner to the shoulder and each cavity shows a rapid transition between its thinner bottom and the thicker sidewalls.

The court further finds that each of the following mold/core rod combinations as identified by the defendant's exhibit numbers, do not infringe upon claim 1 of the plaintiff's '530 patent: DX 146, 149, 150, 151, 152, 153, 190, 192, 195, 199, 202, 203, 204, 210, 211, 216, 218, 223, 226, 227, 232, 242, 243, 244, 249, 250, 251, 252, 259, 263, 264, 279, 281, 282, 290, 291, 292, 299. The resulting cavity formed by each of these mold/core rod combination either (1) does not show a flat portion on its bottom or (2) does not show a rapid transition between the flat thinner bottom and the relatively thicker sidewalls.

As to the remaining mold/core rod combinations (DX

191, 196, 201, 209, 212, 213, 214, 215, 219, 220, 221, 222, 229, 235, 236, 245, 246, 248, 253, 254, 255, 256, 260, 261, 262, 266, 285, 286, 287, 288, 289, 295, 296, 297, 298) the court DEFERS its ruling because it is unable to determine at this time whether these mold/core rod combinations infringe claim 1 of the plaintiff's patent. In this regard, the court requests the parties to suggest, in writing, a procedure that will allow the court to proceed in the determination of whether the remaining combinations constitute infringement.

B. The '620 Patent

The plaintiff has alleged that the sale by Nissei of a Nissei ASB machine that uses any one of the 108 identified mold/core rod combinations constitutes contributory infringement and inducement to infringe claim 1 of the '620 patent. Claim 1 of the '620 reads as follows:

> A plastic parison having a bottom wall portion, a sidewall portion, a shoulder portion and a neck finish, said bottom wall portion having a flat area and there being an annular corner area joining said bottom wall and sidewall portions, said bottom wall portion having a thickness less than the thickness of said sidewall portion with there being a rapid transition from said flat of said bottom wall to said sidewall portion with said sidewall thickness being substantially constant from said annular corner area to said shoulder portion.

Again, the court has found no modifications to or limitations on the claim language in either the prosecution history or the

specifications and none have been persuasively offered by either party. However, the parties have stipulated that the mold/core rod combination defines the dimensions of the resulting parison. Therefore, once the court determines that a particular mold/core rod combination infringes upon claim 1 of the '530 patent, it necessarily follows that any resulting parison formed in that mold will infringe upon claim 1 of the '620 patent.

Because Nissei does not actually produce the infringing parisons but rather sells the machinery that enables a third party to do so, Nissei could not be directly infringing the '620 patent. Instead, Nissei could only be held liable for either contributing to or inducing the infringement by a third party.

As recently explained by the Federal Circuit Court in *Hewlett-Packard,* the pre-1952 concept of "contributory infringement" was divided by the Patent Act of 1952 into 2 separate categories; "active inducement" (a type of direct infringement) and "contributory infringement." *Hewlett-Packard Co. v. Bausch & Lomb, Inc.,* 909 F.2d 1464, 1469 (Fed. Cir. 1990). Contributory infringement as prohibited by 35 U.S.C. § 271(c) is aimed primarily at the situation where a seller sells a component part which itself is not covered by the claims of a patent but which has no function other than in a patented process or product. Meanwhile, "active inducement" as prohibited by 35 U.S.C. §271(b) is a catch-all provision which codifies the prohibition on all of the other types of activities which, prior to the Patent Act of 1952, had constituted contributory infringement. Therefore, Nissei's actions as regards the '620 patent may be either contributory infringement or active infringement to infringe but not both.

To be guilty of inducement to infringe, one must actively induce direct infringement of a patent by a third party. 35 U.S.C. §271(B). Active inducement requires a finding of actual intent to cause the acts which cause the infringement. *Hewlett-Packard Co.*, 909 F.2d at 1469 (Fed. Cir. 1990). In selling any one of its mold/core-rod combinations, it is clear that Nissei could not have had any intention other than to enable its customers to produce the parison defined by the dimensions of that specific mold/core rod combination. In addition, the parties stipulated that any parison mold sold by Nissei to a United States customer was presumably used for its intended purpose by that customer, therefore, establishing direct infringement by third parties for the purposes of this trial. It follows then that to the extent that this court has found Nissei liable for direct infringement of FMT's '530 patent, it similarly finds Nissei liable for actively inducing direct infringement of FMT's '620 patent.

C. The '369 Patent

The '369 patent is directed to a process for blowing a Marcinek-type parison into a container. FMT alleges that any sale by Nissei of a Nissei ASB machine that includes one of the 108 allegedly infringing mold/core rod assemblies constitutes either contributory infringement or inducement to infringe claim 1 of the '369 patent. Claim 1 of the '369 patent covers

> A process of manufacturing a molecularly oriented plastic bottle comprising the steps of (1) providing an injection molded plastic parison [as described in claim 1 of the '620 patent], (2) positioning said parison in a stretch/blow mold; and (3) stretch/blowing

said parison in said blow mold to form a finished bottle.

Again, the court finds that no modification to or limitation on the claim language is necessary. All that is required is a comparison of the operation of the Nissei ASB machine to the claimed process.

Step one of the above-claimed process calls for the introduction of an injection molded plastic parison as described in the '620 patent, i.e., a Marcinek-type parison. It is uncontested that all of the Nissei ASB machines first produce a plastic parison and then provide that same parison to be stretch/blown into a plastic bottle. Therefore, whether a particular Nissei ASB machine performs step one, as described above, will depend upon the determination of whether the parison that is produced by that Nissei machine is one which is described in the '620 patent.

The parties have agreed that if a parison is produced in a mold/core rod combination that infringes the '530 patent, then that parison itself infringes the '620 patent. Therefore, if the Nissei machine uses one of the mold/core rod combinations that infringes claim 1 of the '530 patent, then that machine provides a Marcinek type parison as is claimed in claim 1 of the '620 patent. It follows then that the only Nissei ASB machines which will perform step one as described in claim 1 of the '369 patent are those that use one of the mold/core rod combinations previously identified in this order as infringing the '530 patent.

Step two of the above-claimed process requires that the parison be positioned into a stretch/blow mold. After review,

the court concludes that the Nissei ASB machine does in fact position the parison as is required by step two of claim 1 of FMT's '369 patent.

Step three above requires that the Marcinek-type parison be stretch-blown in a blow mold to form a finished bottle. The parties agree that the Nissei ASB machines use a blow mold to form the dimensions of the final plastic bottle and that pressurized air is "blown" into the parison in the process of forming that bottle. They disagree, however, about the remaining component required by step three of the claimed process; that is, the extent to which a parison is stretched by means other than pressurized air. Defendant contends that the Nissei machine does not use a rod to aid in the stretch of the parison. Rather, they argue, their machine uses its rod merely to guide the parison to the proper position in the bottom of the blow mold.

In this regard, the court concludes that the "guide rod" in the Nissei ASB machine operates in a manner similar to the stretch rod in an Emhart machine; that is, the stretch rod does affect some portion of the longitudinal stretch but the effect of the stretch rod is augmented by blow air. Therefore, the court finds that the operation of the Nissei ASB machine is substantially the same as that described in step three of claim 1 of FMT's '369 patent.

Accordingly, to the extent that the mold/core rod combination produces a parison that infringes the '620 patent, the Nissei ASB machine does operate in a manner that infringes claim 1 of the '369 patent. However, as discussed above, Nissei can only be held liable for either contributing to or inducing the infringement of FMT's process patent

because Nissei does not actually operate their own machines to produce plastic containers.

Contributory infringement is prohibited by 35 U.S.C. §271(c) which provides in pertinent part that

> Whoever sells...[an] apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

Nissei's mold/core rod combinations are not suitable for any substantial non infringing use. Therefore, Nissei is liable as a contributory infringer of the '369 patent if it sold an infringing mold/core rod combination with knowledge (versus knowledge and intent) that the combination would be used in practicing the process which had been patented by FMT. *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

It is obvious that Nissei became aware, at some point, that certain of its mold/core rod combinations did potentially infringe upon the '369 patent of FMT. At this point in the litigation, it is unnecessary to determine exactly when Nissei acquired that knowledge, it is enough to note that it happened. Therefore, if Nissei has provided to a customer an ASB machine with a mold/core rod combination that infringes the '530 patent, then it is liable for contributory infringement of the '369 patent. Accordingly, the court finds Nissei guilty of contributory infringement of FMT's '369 patent in those same

situations where the mold/ core rod combination used in the ASB machine infringes the '530 patent.

Summary

The court hereby finds that the following mold/core rod combinations, as identified by the defendant's exhibit numbers, directly INFRINGE upon claim 1 of the plaintiff's '530 patent: DX 147, 148, 193, 194, 197, 198, 200, 205, 206, 207, 208, 217, 224, 225, 230, 231, 233, 234, 237, 238, 239, 240, 241, 247, 257, 265, 267, 268, 269, 270, 280, 283, 284, 293, 294. Further, sales by Nissei of these mold/core rod combinations (with or without an accompanying Nissei ASB machine) constitute inducement to infringe claim 1 of the plaintiff's '620 patent. Finally, sales by Nissei of Nissei ASB machines which embody these mold/core rod combinations also make Nissei liable for contributory infringement of claim 1 of FMT's '369 patent.

The court further finds that the following mold/core rod combinations as identified by the defendant's exhibit numbers, DO NOT INFRINGE upon claim 1 of the plaintiff's '530 patent: DX 146, 149, 150, 151, 152, 153, 190, 192, 195, 199, 202, 203, 204, 210, 211, 216, 218, 223, 226, 227, 232, 242, 243, 244, 249, 250, 251, 252, 259, 263, 264, 279, 281, 282, 290, 291, 292, 299. Moreover, a sale by Nissei of one of these mold/core rod combinations will not constitute inducement to infringe claim 1 of FMT's '620 patent. Finally, the court finds that Nissei is not contributing to the infringement of claim 1 of FMT's '369 patent by selling Nissei ASB machines which utilize any of these mold/core rod combinations.

As to the remaining mold/core rod combinations (DX 191, 196, 201, 209, 212, 213, 214, 215, 219, 220, 221, 222, 229, 235, 236, 245, 246, 248, 253, 254, 255, 256, 260, 261, 262, 266, 285, 286, 287, 288, 289, 295, 296, 297, 298), the court DEFERS its ruling because it is unable to determine at this time whether these mold/core rod combinations directly infringe claim 1 of the plaintiff's '530 patent. The court is also unable to determine if the parisons made from these mold/core rod combinations would infringe claim 1 the '620 patent thereby making Nissei liable for inducement to infringe that patent. Similarly, the court is unable to determine if a sale of a Nissei machine which embodies one of these mold/core rod combinations would make Nissei liable for contributory infringement of claim 1 of FMT's '369 patent.

SO ORDERED, this 22nd day of November, 1991.

G. ERNEST TIDWELL
JUDGE, UNITED STATES DISTRICT COURT

Entered on Docket November 25, 1991by L.D.T., Clerk

APPENDIX B

(Filed February 4, 1992)

In the United States District Court
for the Northern District of Georgia
Atlanta Division

1:90-cv-786-GET

FMT CORPORATION, INC.

v.

NISSEI ASB COMPANY

ORDER

The above-styled matter is before the court for a final ruling on the infringement issue as it relates to certain of defendant's mold/core rod combinations. This ruling was deferred in the court's November 22, 1991 order pending suggestions by the parties as to a procedure to aid the court in this decision. In addition, the court has pending before it the following motions by the parties: (1) defendant's motion to enforce the court's January 29, 1991 order; (2) defendant's motion for reconsideration of the court's November 22, 1991

order; and (3) the plaintiff's motion to amend the court's November 22, 1991 order.

The current action is a patent infringement case filed by the plaintiff, FMT Corporation ("FMT"), against defendant, Nissei ASB Company ("Nissei"). The case was tried to the court beginning on October 10, 1991 and the court entered an order on November 22, 1991. In that order, the court deferred ruling on whether certain accused mold/core rod combinations (1) infringe claim 1 of plaintiff's '530 patent; (2) induce the infringement of claim 1 of the plaintiff's '620 patent; and (3) contribute to the infringement of claim 1 of the plaintiff's '369 patent. The mold/core rod combinations at issue, as identified by the defendant's exhibit numbers, are as follows: DX 191, 196, 201, 209, 212, 213, 214, 215, 219, 220, 221, 222, 229, 235, 236, 245, 246, 248, 253, 254, 255, 256, 260, 261, 262, 266, 285, 286, 287, 288, 289, 295, 296, 297, 298.

Ruling on Issues Previously Deferred

The court has received suggestions from both parties as to how this court could proceed to decide whether the mold/core rod combinations remaining at issue, as specified above, infringe the plaintiff's patents. However, the court has determined to reject all the suggestions and now concludes that the plaintiff failed to carry its burden of proof on the infringement issue as to DX 191, 196, 201, 209, 212, 213, 214, 215, 219, 220, 221, 222, 229, 235, 236, 245, 246, 248, 253, 254, 255, 256, 260, 261, 262, 266, 285, 286, 287, 288, 289, 295, 296, 297 and 298. Accordingly, the court finds that the above-specified mold/core rod combinations do

not (1) infringe claim 1 of the plaintiff's '530 patent; (2) induce the infringement of claim 1 of the plaintiff's '620 patent; or (3) contribute to the infringement of claim 1 of the plaintiff's '369 patent. Having resolved the infringement issue, the court turns to the other pending motions.

Defendant's Motion to Enforce the Court's January 29, 1991 Order

Defendant, Nissei, requests that the court forbid plaintiff from contacting defendant's customers and informing those customers of the status of this litigation. Defendant represents that this court's order of January 29, 1991 forbids such contact and contends that plaintiff's are engaging in such communication solely to disrupt and injure Nissei's relationship with its customers. These actions by FMT, Nissei claims, constitute unfair competition.

Upon review of the record, it is clear, however, that the court's order of January 29, 1991 did not forbid communication between plaintiff and any of Nissei's customers. Instead, it denied FMT's request to use Nissei's client list, which, at that time, had been designated as "confidential." At the time, FMT sought to use the list to gather additional information concerning Nissei's parison designs from Nissei's customers and to send a letter to Nissei's customers informing them that FMT has filed suit against Nissei for infringement. No indication exists that FMT is now using Nissei's client list to contact Nissei's customers. Rather, FMT represents that it has only discussed the case with two of Nissei's customers, both of which approached FMT seeking information on the status of the

case. Further, FMT represents that Nissei has withdrawn its confidential designation as to the client list.

As to the allegation of unfair competition, Nissei has not shown bad faith on the part of FMT and has come forward with no evidence proving that the statements were false or misleading. Therefore, Nissei has not supported its allegation of unfair competition. *Lucasey Manufacturing Corporation v. Anchor Pad International, Inc.*, 698 F. Supp. 190. (N.D. Cal. 1988); *Coal Processing Equipment, Inc. v. Campbell,* 578 F. Supp. 445 (S.D. Ohio 1981).

Accordingly, the defendant's motion to enforce the court's January 29, 1991 order is DENIED. The court, however, declines to award attorney's fees to FMT as requested in its response to Nissei's motion.

Defendant's Motion for Reconsideration

Having considered the defendant's motion for reconsideration of the court's November 22, 1991 order and having found no information or argument presented there that was not fully presented at the trial of the case, the court DENIES said motion.

Plaintiff's Motion to Amend

Plaintiff has filed a motion to amend the court's November 22, 1991 order seeking to persuade the court to alter its order such that all of the defendant's accused mold/core rod combinations are found to infringe the plaintiff's patents. After review of the motion, the court concludes that the issues identified and argued in the motion

were fully presented at the trial of the case, and, therefore, DENIES the plaintiff's motion to amend.

SUMMARY

As to the mold/core rod combinations remaining at issue, (DX 191, 196, 201, 209, 212, 213, 214, 215, 219, 220, 221, 222, 229, 235, 236, 245, 246, 248, 253, 254, 255, 256, 260, 261, 262, 266, 285, 286, 287, 288, 289, 295, 296, 297, 298), the court finds that the plaintiff failed to carry its burden of proof on the issue of infringement, and, accordingly, concludes that these mold/core rod combinations do not (1) infringe claim 1 of the plaintiff's '530 patent; (2) induce the infringement of claim 1 of the plaintiff's '620 patent; or (3) contribute to the infringement of claim 1 of the plaintiff's '369 patent.

Further the (1) defendant's motion to enforce the court's January 29, 1991 order is DENIED; (2) defendant's motion for reconsideration of the court's November 22, 1991 order is DENIED; and (3) the plaintiff's motion to amend the court's November 22, 1991 order is DENIED.

SO ORDERED, this 4th day of February, 1992.

G.ERNEST TIDWELL
JUDGE, UNITED STATES DISTRICT COURT

Entered on Docket February 5, 1992 by Deputy Clerk

APPENDIX C

(Filed April 1, 1992)

In the United States District Court
for the Northern District of Georgia
Atlanta Division

1:90-cv-786-GET

FMT CORPORATION, INC.

v.

NISSEI ASB COMPANY

ORDER

The above-styled matter is before the court on the plaintiff's motion for entry of an interlocutory judgment. In its response to the plaintiff's motion, Nissei ASB Company does not object to the entry of an interlocutory judgment or the entry of an injunction. Nissei does object to the form of the injunction which was proposed by the plaintiff.

Having considered the pleadings and evidence presented at trial, the briefs by counsel for the parties, and the findings

of fact and conclusions of law set forth in this court's orders of November 25, 1992 and February 4, 1992, the court hereby ORDERS, ADJUDGES AND DECREES:

1. That United States Patent No. 4,432,530, issued February 21, 1984, is valid; that United States Patent No. 4,521,369, issued June 4, 1985, is valid; that United States Patent No. 4,588,620, issued May 13, 1986, is valid; and that plaintiff FMT Corporation, Inc., has been the lawful owner of the entire right, title and interest in and to each of said United States patents and the inventions thereof at all times pertinent to this litigation.

2. That defendant, Nissei ASB Company, has directly infringed United States Patent No. 4,432,530 by selling apparatuses covered by claim 1 thereof; has contributorily infringed United States Patent No. 4,521,369 by selling apparatuses which use the method of claim 1 thereof, and has actively induced infringement of United States Patent No. 4,588,620 by selling apparatuses which make the product of claim 1 thereof.

3. The clerk of this court is hereby order to issue a writ of injunction under 35 U.S.C. § 283 under the seal of this court and the defendant, Nissei ASB Company, its officers, agents, servants, employees and attorneys, and any persons in active concert or participation with them who receive actual notice of this judgment by personal service or otherwise, including, but not limited to, Nissei ASB Machine Co., Ltd. are hereby enjoined and restrained from directly or indirectly infringing claim 1 of United States Patent No. 4,432,530 during its term; claim 1 of United States Patent No. 4,521,369 during its term; and claim 1 of United States

Patent No. 4,588,620 during its term and from offering or advertising to do so and from aiding or abetting or in any way contributing or inducing the infringement of any of said claims. This injunction specifically includes and applies to any and all of the apparatuses described or referred to in the attached Appendix A and any colorable imitations thereof.

4. That the plaintiff recover damages from the defendant for defendant's infringement of claim 1 of United States Patent No. 4,432,530; claim 1 of United States Patent No. 4,521,369; and claim 1 of United States Patent No. 4,588,620 according to law and its costs and disbursements in the litigation.

Summary

The court hereby GRANTS the plaintiff's motion for entry of an interlocutory judgment [Docket Item No. 139]. Accordingly, the court hereby ORDERS that (1) an interlocutory judgment, as specified above, be entered in this case; and (2) a writ of injunction issue pursuant to 35 U.S.C. § 283, the terms of which are specified above.

SO ORDERED, this 31st day of March, 1992.

G. ERNEST TIDWELL
JUDGE, UNITED STATES DISTRICT COURT

Entered on Docket April 2, 1992 by Deputy Clerk

APPENDIX A TO INTERLOCUTORY JUDGMENT

The Nissei ASB Company apparatus subject to this Interlocutory Judgment include the following Nissei apparatus referred to in the Court's Order entered November 25, 1991 and are set forth by plaintiff's and defendant's trial exhibits as follows:

Plaintiff's Exhibit	Defendant'sExhibit
PX 53	DX 193
PX 54	DX 194
PX 58	DX 197
PX 59	DX 198
PX 62	DX 200
PX 65	DX 280
PX 70	DX 148
PX 71	DX 147
PX 72	DX 205
PX 73	DX 206
PX 74	DX 207
PX 75	DX 208
PX 84	DX 217
PX 93	DX 283
PX 94	DX 224

Plaintiff's Exhibit	Defendant's Exhibit
PX 95	DX 284
PX 96	DX 225
PX 109	DX 230
PX 110	DX 231
PX 112	DX 293
PX 113	DX 233
PX 114	DX 234
PX 117	DX 237
PX 118	DX 238
PX 119	DX 239
PX 120	DX 240
PX 121	DX 241
PX 122	DX 239
PX 123	DX 240
PX 132	DX 247
PX 136	DX 247
PX 146	DX 257
PX 149	DX 294
PX 156	DX 265
PX 157	DX 265

Plaintiff's Exhibit	Defendant's Exhibit
PX 160	DX 267
PX 161	DX 268
PX 162	DX 269
PX 163	DX 270

Defendant's Exhibit	Plaintiff's Exhibit
DX 147	PX 71
DX 148	PX 70
DX 193	PX 53
DX 194	PX 54
DX 197	PX 58
DX 198	PX 59
DX 200	PX 62
DX 205	PX 72
DX 206	PX 73
DX 207	PX 74
DX 208	PX 75
DX 217	PX 84
DX 224	PX 94
DX 225	PX 96
DX 230	PX 109

Defendant's Exhibit	Plaintiff's Exhibit
DX 231	PX 110
DX 233	PX 113
DX 234	PX 114
DX 237	PX 117
DX 238	PX 118
DX 239	PX 119; PX 122
DX 240	PX 120; PX 123
DX 241	PX 121
DX 247	PX 132; PX 136
DX 257	PX 146
DX 265	PX 156; PX 157
DX 267	PX 160
DX 268	PX 161
DX 269	PX 162
DX 270	PX 163
DX 280	PX 65
DX 283	PX 93
DX 284	PX 95
DX 293	PX 112
DX 294	PX 149

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APPENDIX D

(Decided August 2, 1993)

NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

United States Court of Appeals
for the Federal Circuit

92-1337, -1357

FMT CORPORATION, INC.,

Plaintiff/Cross-Appellant,

v.

NISSEI ASB COMPANY,

Defendant-Appellant.

Before RICH, MICHEL, and PLAGER, Circuit Judges.
RICH, Circuit Judge.

DECISION

This patent infringement suit was filed by plaintiff, FMT Corporation, Inc. (FMT), against defendant, Nissei ASB Company (Nissei) in the United States District Court for the Northern District of Georgia. The technology generally involves parisons or preforms used to make plastic containers. Nissei appeals from the district court's April 2, 1992 judgment finding U.S. Patent Nos. 4,432,530, 4,521,369, and 4,588,620 (the '530, '369, and '620 patents, respectively) not invalid and infringed by 35 of Nissei's 108 parison designs; FMT cross-appeals from the judgment finding the remaining 73 parison designs do not infringe. We affirm.

DISCUSSION

The three patents in issue are derived from the same parent application and are linked by the common subject matter of a parison design. The '530 patent is directed to a mold and core rod combination for the injection molding of a parison. The '369 patent is directed to a process for manufacturing plastic containers, including the steps of making an injection molded parison and blowing the parison into a container. The '620 patent is directed to the parison which would be formed by injecting the plastic into the mold/core rod combination specified in the '530 patent. The parties agree that if Nissei produces a parison in a mold/core rod combination that infringes claim 1 of the '530 patent, then that parison itself infringes claim 1 of the '620 patent. Likewise, if a Nissei machine uses one of the mold/core rod combinations specified in the '530 patent, then Nissei infringes claim 1 of the '369 patent.

Claim 1 of the '530 patent reads, in pertinent part, as follows:

> A plastic mold-core rod combination for forming an injection molded plastic parison having a bottom, a sidewall, a shoulder, and a neck finish comprising a female parison mold having a flat area at the bottom surface . . . and a core rod . . . constructed and arranged to mate and form a cavity having a bottom area thickness, a sidewall thickness connecting said bottom and sidewall areas, said bottom area thickness and annular corner area thickness being less than said sidewall area thickness and having a rapid transition from the thickness at the middle of said bottom cavity area to said sidewall cavity area of greater thickness, said sidewall thickness being substantially constant from said annular corner surface to the shoulder. [Emphasis ours.]

Both Nissei and FMT argue that the trial court erred in interpreting the claims at issue, and in finding infringement and noninfringement, respectively.[1] In order to determine

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[1] Nissei raises at least sixteen issues on appeal attacking virtually every finding made by the district court. Nissei misconceives the role of the appellate court and the nature of the appellate process. The court does not sit to consider evidence *de novo* and is not a forum in which to re-try one's case lost before the district court. It is appellant's burden to show that the trial court's findings are clearly erroneous in light of the evidence of record.

whether the Nissei parisons infringe, the court must take a two step approach: first, the claims must be properly construed to determine their scope and, second, the court must determine whether the properly interpreted claims encompass the accused structure. *LaBounty Mfg., Inc. v. United States Int'l Trade Comm'n,* 867 F.2d 1572, 1574, 9 USPQ2d 1995, 1997 (Fed. Cir. 1989). A trial court's overall claim construction is reviewable as a matter of law, but findings on disputed meanings of terms in the claims and on the infringement issue must be shown to have been clearly erroneous. *Perini America, Inc. v. Paper Converting Machine Co.,* 832 F.2d 581, 584, 4 USPQ2d 1621, 1624 (Fed. Cir. 1987).

The court found nothing in the specification or prosecution history to lead it to modify or limit the plain meaning of the claims and rejected the parties' attempts to add any limitations not articulated in the claims. The district court found that the parisons at issue must meet three claim limitations to infringe: (1) sidewalls of substantially uniform thickness; (b) a bottom that is thinner than the thickness of the sidewalls and which contains a flat area or portion; and (3) a rapid transition from the thinness of the bottom to the thickness of the sidewalls. The district court recognized that the '530 patent was allowed over the prior art based on the relative thicknesses of the bottom, annular corner and sidewalls of the parison. Neither party has shown that the court's claim interpretation is erroneous.

The district court examined the 108 illustrations of the parison designs at issue and initially determined that 35 of the parisons infringe and 35 do not infringe. The court withheld judgment on the remaining 38 parison designs until its

February 5, 1992 order in which it determined that FMT failed to meet its burden of proving that these parisons infringe.

Nissei argues that the court's finding that 35 of the 108 parisons infringe is clearly erroneous because its parisons have a "gate" designed into the bottom walls of the parisons that renders the parisons noninfringing. Nissei identifies evidence that (1) the gates allegedly perform certain functions not performed by the patented parisons, (2) the gates add to the thickness of the bottom wall thereby precluding the bottom wall from being thinner than the side wall as required by the claims, and (3) the presence of the gate prevents the bottom of the parison from being geometrically flat. However, Nissei's arguments merely repeat the arguments made before and rejected by the district court in light of other evidence proffered by FMT. After examining all of the evidence, the court concluded that "neither the presence nor the function of the Nissei gates affect the determination of whether Nissei is infringing the patents in suit." When the trial court has chosen between two permissible views of the evidence, its choice cannot be clearly erroneous. *Anderson v. City of Bessemer City,* 470 U.S. 564, 574 (1985); *Perkin-Elmer Corp. v. Westinghouse Elec. Corp.*, 822 F.2d 1528, 1531, 3 USPQ2d 1321, 1323 (Fed. Cir. 1987). Since Nissei has failed to establish that the district court's decision was clearly erroneous, we affirm this portion of the district court's judgment. Nissei also appeals the district court's dismissal of Nissei's validity and enforceability defenses for lack of

proof.[2] To invalidate the FMT patents, Nissei had the burden to establish invalidity by clear and convincing evidence. *Custom Accessories, Inc. v. Jeffrey-Allan Indus., Inc.*, 807 F.2d 955, 961, 1 USPQ2d 1196, 1200 (Fed. Cir. 1986). If Nissei fails to establish a legally sufficient *prima facie* case of invalidity, FMT is not required to present evidence to the contrary and the dismissal of the validity defense must be affirmed. *Ralston Purina Co. v. Far-Mar-Co., Inc.*, 772 F.2d 1570, 1573, 227 USPQ 177, 178 (Fed. Cir. 1985). This district court found that Nissei failed to meet its burden and dismissed all those defenses. Nissei has chosen to appeal them all. After careful consideration of all of Nissei's arguments, we find that the district court's decision to dismiss the defenses was not clearly erroneous.

In the cross-appeal, FMT's first argument is one of claim construction. According to FMT, the district court should

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[2] Nissei's arguments confuse the issues of infringement and validity. It argues that the district court erred by (1) misconstruing the claim term "rapid transition" to include "gradual transitions" and (2) by applying the indefinite term "rapid transition" to conclude the Nissei parisons infringe. These arguments pertain to indefiniteness which is a validity issue. Under the law pertaining to indefiniteness, if the claims, read in light of the specification, reasonably apprise those skilled in the art both of the utilization and scope of the invention, and if the language is as precise as the subject matter permits, the courts can demand no more. *Hybritech Inc. v.Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1385, 231 USPQ 81, 94 (Fed. Cir. 1986), *cert. denied*, 480 U.S. 947 (1987). the only evidence proffered by Nissei on this issue was the testimony of its expert that the term "rapid transition" meant nothing to him. However, he also testified that he would understand the terms "sudden transition." We see no distinction between the two terms and agree with FMT that "sudden" and "rapid" are synonymous.

have construed the terms "rapid transition" to mean "a rapid transition in temperature" based on the testimony of its expert. However, FMT's argument that the district court was required to accept the testimony of its expert is not supported by any precedent. The district court chose to interpret "rapid transition" in geometric terms based on the specification, prosecution history, and the claims themselves, wherein we find no support for FMT's construction.

On the issue of noninfringement, FMT argues that the district court erred in finding the 37 parisons listed in Addendum B and the 35 parisons listed in Addendum C do not infringe. The district court held that the parisons in Addendum B, do not infringe because they either (1) do not show a flat portion on its bottom or (2) do not show a rapid transition between the flat thinner bottom and the relatively thicker sidewalls. With respect to the Nissei parisons listed in Addendum C, the district court held that FMT failed to sustain its burden of proof that the parisons infringe.

FMT merely takes the opposite position and argues that the parisons do contain a flat portion and a rapid transition and infringe, either literally or under the doctrine of equivalents. However, this argument erroneously presumes that the district court accepted FMT's interpretation that a rapid transition means a rapid transition in temperature. This is not supported by the record.[3] We have reviewed the

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[3] Furthermore, we find no error in the court's failure to consider the thermal profiles submitted by FMT which are not necessary to make an infringement determination. Given the court's interpretation of the claims, the court was able to determine the infringement issue based on an examination of the illustrations of the parison designs.

parison illustrations at issue and are persuaded that the court's non-infringement findings are not clearly erroneous. Accordingly, we affirm this portion of the court's judgment.

Neither FMT nor Nissei has convinced us that the district court erred. Accordingly the district court's judgment is affirmed.

APPENDIX E

(Filed October 4, 1993)

In The United States District Court
For The Northern District of Georgia
Atlanta Division

1:90-cv-786-GET

FMT CORPORATION, INC.,

Plaintiff,

v.

NISSEI ASB COMPANY,

Defendant.

ORDER

The above-styled matter is before the court on (1) the Special Master's Report; (2) the plaintiff FMT Corporation, Inc.'s ("FMT") motion to modify the Report of the Special Master; and (3) the plaintiff, FMT's motion to remove confidentiality restriction.

The above-styled matter is a patent infringement action involving patents which generally cover plastic "parisons" or

"preforms" used to manufacture plastic bottles. The issues of infringement and damages have been bifurcated. After hearing evidence in the infringement portion of the case, the court found infringement by defendant of the plaintiff's patents. On December 30, 1992, the Special Master to whom the damages portion of the trial had been referred, issued his findings of fact and conclusions of law which awarded approximately 1.3 million dollars to the plaintiff in damages.

Report of the Special Master and FMT's Motion to Modify the Report of the Special Master

On December 30, 1992 the Special Master appointed by this court submitted his Report as required by Fed. R. Civ. P. 53(e). Pursuant to Fed. R. Civ. P. 53(e)(2) the parties have ten days after being served with notice of the filing of the Report in which to serve written objections thereto upon other parties. The court must then review the Special Master's Report and determine whether to adopt, modify or reject said Report. Fed. R. Civ. P. 53(e)(2). However, "[i]n an action to by tried without a jury, the court shall accept the master's findings of fact unless clearly erroneous." Fed. R. Civ. P. 53(e)(2).

Here, the Special Master found (1) that a reasonable royalty on the three patents as a package would be equal to 8% of the sales price of those machines manufactured by Nissei which were found to infringe FMT's patents; (2) that FMT was entitled to pre-judgment interest at a rate of 7%, to run from the date that FMT first offered a license to Nissei until the date judgment was entered; and (3) that Nissei did not willfully infringe FMT's patents despite the fact that

Nissei did not seek advice of counsel as to either the patents' validity or Nissei's infringement upon being informed of the existence of FMT's patents. The issue of whether this case is an "exceptional case" within the meaning of 35 U.S.C. § 285 was, with the consent of the parties, left for this court to determine.

The defendant has filed a "response" to the Special Master's Report addressing the issue of whether this case is an exceptional case and agreeing that the confidential designation could be removed from most of the Special Master's Report on the condition that the court delete or redact certain Nissei "confidential" information from the Special Masters' Report prior to making the remainder public. The court will address Nissei's suggestion as to removing the confidentiality designation during its discussion of FMT's motion to remove the confidentiality restriction.

Exceptional Case

Section 285 of Title 35 of the United States Code provides that "[t]he court in exceptional cases may award reasonable attorney's fees to the prevailing party." 35 U.S.C. § 285 (West 1984). Because the underlying purpose of the statute is to reach cases where the interests of justice would make fee shifting appropriate, the trial court has broad discretion to make the determination. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1582 (Fed. Cir. 1992).

Courts may find that a case is an "exceptional case" within the meaning of 35 U.S.C. § 285 where the infringement was willful or where the non-prevailing party

engaged in misconduct during the course of the trial proceedings. *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565 (Fed. Cir. 1986). However, a district court has the discretion to refuse to award attorney's fees even where the court finds that the case before it is an exceptional case. *Sun-Tek Industries, Inc. v. Kennedy Sky Lites, Inc.*, 929 F.2d 676 (Fed. Cir. 1991).

FMT first argues that this should be an exceptional case because Nissei's infringement was willful. However, the Special Master has found that Nissei's infringement was not willful, and, as explained below this court finds that FMT has failed to show that the Special Master's finding is clearly erroneous. Therefore, this argument is without merit.

FMT next argues that regardless of whether the infringement was found to be willful, Nissei engaged in litigation misconduct throughout this trial sufficient to support an award of attorney's fees pursuant to 35 U.S.C. § 285. FMT argues that Nissei actions in this case represent a blatant attempt by a giant corporation to coerce a small company with few resources to abandon its patent suit. FMT points to various actions by Nissei to support its argument.

First, FMT notes that Nissei proceeded throughout this trial without obtaining an opinion from neutral counsel as to whether the patents were valid and/or infringed. FMT contends that this behavior is particularly wrongful because, without the opinion of counsel, Nissei contended at trial that FMT's patents were invalid due to prior art.

Second, FMT points to Nissei's shotgun approach to defending against the instant suit. Specifically, FMT notes that Nissei raised (and refused to drop) at least 12 affirmative

defenses to the suit but that Nissei failed to present evidence to support many of these defenses at trial. FMT complains that this strategy needlessly forced FMT to waste valuable time and money to prepare a rebuttal to Nissei's defenses.

Third, FMT contents that Nissei failed to conduct any investigation of existing United States patents prior to manufacturing and selling the infringing designs in this country.

Fourth, FMT claims that once notified of the existence of FMT's patents, Nissei failed to do any investigation into the validity of the patents.

Fifth, FMT contends that Nissei failed to modify its parison designs after receiving notice of FMT's patents. Nissei responds that rather than make modifications to its designs, it ceased making designs of the type accused by FMT in order to avoid the possibility of infringement.

Sixth, FMT argues that Nissei's defenses which were presented at trial (including the "gate" defense) were contrived and frivolous. To support this contention, FMT notes that while Mr. Alberghini (Nissei's expert witness) testified during the liability portion of the trial that the bottom wall of Nissei's parisons were thicker than the side walls due to the presence of the gate, Nissei's president testified at the damages portion of the trial that all of the parisons at issue has thinner bottom walls than side walls. FMT claims that this contradiction in testimony proves that Nissei's position as regards the gate was contrived.

Seventh, FMT points to the fact that Nissei relied on the "Iriko" patent as prior art to invalidate FMT's patents despite the fact that FMT sought a re-examination of its patents in

light of the Iriko patent. (The patent office refused to re-examine the patents in suit stating that the Iriko patent shed no new light upon the FMT patents.) Moreover, as to the prior art defenses, Nissei's only witness was Mr. Alberghini who admitted on cross-examination that he had not thoroughly reviewed the file histories of the FMT patents. Nissei responds that FMT improperly presented the Iriko patent to the patent office and that if presented correctly, the Iriko patent would have invalidated the FMT patents. Further, Nissei argues that Mr. Alberghini read those portions of the file histories that were relevant to the issues being presented at trial.

Eighth, FMT notes that early in this trial Nissei moved to disqualify FMT's trial counsel, Mr. Breiner, on the grounds that Breiner had participated in some fraud in the procurement of the patents. FMT stresses that after this court refused to disqualify Breiner, Nissei never produced any evidence tending to prove the fraud. Nissei responds that it did not follow up on these allegations because this court refused to require Breiner to produce certain German and Japanese patent applications necessary to show the fraud, and, that, without these foreign applications, Nissei was unable to prove its allegations.

As final proof that Nissei engaged in litigation misconduct sufficient to elevate this case to an exceptional case, FMT notes that this court twice imposed sanctions on Nissei for discovery abuses. Also, FMT points to the multitude of unwarranted motions filed throughout this litigation as proof of its point. Nissei argues that these discovery sanctions are immaterial to the exceptional case inquiry because this court did not specify that the discovery

sanctions were awarded due to any "strategy of vexatious activity" on the part of Nissei and because FMT has not sought to collect the sanctions from Nissei. Further, Nissei argues that the motions it filed were necessary to its position and its case.

Having considered the above and the record in its entirety, this court finds that this case is an exceptional case within the meaning of 35 U.S.C. § 285 due to the above-described behavior of Nissei throughout the proceedings of this case.

Where the only basis for an award of attorney's fees is litigation misconduct, the amount of the award must bear some relation to the extent of the misconduct. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 831 (Fed. Cir. 1992). Here, the court finds Nissei's misconduct to have been substantial and repeated throughout this litigation. Prior to the trial on damages, Nissei had filed at least twenty-nine (29) motions, many of which were completely meritless and/or unwarranted. One of the most notable of these motions was Nissei's motion to disqualify plaintiff's trial counsel, A. W. Breiner. Nissei filed the motion claiming that Breiner had engaged in fraud in the procurement of the FMT patents. However, Nissei failed to provide sufficient proof to support its suspicions. Regardless, the court deferred ruling on Nissei's motion but allowed Nissei to conduct a limited deposition of Breiner. Rather than simply conduct the limited deposition as allowed by this court, Nissei attempted to gain written discovery and document production from Breiner outside the discovery period. When Breiner refused to respond to Nissei's discovery requests, Nissei filed an additional meritless motion - a motion for sanctions against

Breiner. Eventually, the court ordered sanctions against Nissei for the above behavior and vacated its previous order which allowed Nissei to take Breiner's deposition. This is but one example of the litigation misconduct that Nissei engaged in during the pretrial phase of this case.

At trial, Nissei insisted on pursuing numerous affirmative defenses for which it presented absolutely no admissible supporting evidence. All of Nissei's affirmative defenses were dismissed by this court at the end of evidence upon FMT's motion. However, by pursuing these defenses to trial, Nissei forced FMT to expend valuable resources to prepare a response to each of the defenses.

This court finds that Nissei's strategy throughout this litigation has been vexatious and harassing. Further, Nissei's behavior has confused, complicated and substantially lengthened and delayed the trial of this matter. Accordingly, this court finds that the defendant, as the non-prevailing party, should pay to the plaintiff one hundred percent of the reasonable amount of attorney's fees and costs incurred by the plaintiff in this action. The parties have stipulated that the reasonable attorney's fees and unrecovered costs incurred by FMT through the liability portion of the case are $510,573.50 and $109,811.77 respectively. However, neither party has updated those amounts to include attorney's fees and costs through the damages portion of the case.

Report of the Special Master

The Special Master's Report should be reviewed pursuant to Federal Rule Civil Procedure 53(e). The Findings of Fact made by a Special Master must be accepted by the court

unless clearly erroneous. Fed. R. Civ. P. 53(e)(2). However, a Special Master's conclusions of law are entitled to no special deference when reviewed by this court and therefore will be reviewed independently by this court. *Oil Chemical and Atomic Workers Int'l Union v. NLRB,* 547 F.2d 575,580 (5th Cir. 1976); *Martin v. University of South Alabama,* 911 F.2d 604, 608 (11th Cir. 1990).

The rule also allows the parties ten days in which to serve written objections to the Special Master's Report. Here, FMT has filed timely objections to the Special Master's Report by way of its motion to modify report of the Special Master. In that motion, FMT requests that this court modify the Special Master's Report in various ways.

Specifically, the plaintiff requests that this court (1) delete or amend those findings of the Special Master which authorize a "package license" under hypothetical negotiations and add new findings which would grant FMT damages of approximately $7,780,000; (2) amend Special Master's finding Number 57 which awards prejudgment interest commencing on the date Nissei was first offered a license so that interest begins to run from the date of Nissei's infringement as required by *General Motors v. Devex,* 461 U.S. 648 (1933); (3) amend the Special Master's Report to find willful infringement on the part of Nissei; (4) find that this case is an exceptional case within the meaning of 35 U.S.C. § 285 authorizing an award of attorney's fees is favor of FMT. Having previously addressed the exceptional case issue, this court moves on to FMT's other concerns and will address those concerns in turn.

A. Package License

The Special Master determined that a reasonable royalty for all three patents as a package is equal to 8% of the sales price of the Nissei machines which were found to have used infringing parts. Nissei had argued that a reasonable royalty for all patents would be 1% of the sales price of the mold core rod combination which was used in the machines (as opposed to the entire machine) found to make the infringing parisons (approximately $4,200).

FMT argued (and still argues) that the evidence showed that a reasonable royalty for the three patents was the total of the reasonable royalties for each of the three patents as follows: (1) for the '530 patent - 8% to 20% of the sales price of Nissei machines found to use infringing parts; (2) for the '369 patent - 2% of selling price of all containers produced by Nissei's customers on the infringing equipment (lowest estimate of this figure equals $3,046,388) and (3) for '620 patent - 2% of selling price of all containers produced by Nissei's customers on the infringing equipment (lowest estimate = $3,046,388). FMT also contends that the reasonable royalties, once totalled, should be increased by 1 to 2 percentage points pursuant to *Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978) to take into account that FMT had to pursue Nissei to and through trial.

FMT claims that because Nissei had offered no evidence as to a reasonable royalty based upon the '620 or '369 patent, the only evidence in the record as to those two patents came from FMT's expert who testified to a low figure as described above. Based upon this, FMT argues that there is no

evidence to support the Special Master's "package" license arrangement.

The court has reviewed the findings of the Special Master, the trial transcript, the parties' trial briefs and the record. From the review, it is clear that the Special Master, in making his determination, acknowledged that each patent had its own separate worth and that FMT should be compensated for the value of each patent. Moreover, the Special Master evaluated the testimony of both parties' experts in regards to how much each patent was worth as well as the other various factors identified by *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) *modified and aff'd.* 446 F.2d 295 (2d Cir. 1971) *cert. denied* 404 U.S. 870 (1971). Upon concluding this review, the Special Master found that the hypothetical license which would be agreed to by the parties would include use of all three patents for a single fee. This court finds no error in that regard. The Special Master then determined from his review of the evidence that a reasonable royalty would be equal to 8% of the sales price of Nissei's infringing machines. The court similarly finds no error in this decision.

However, from the record before it, the court has determined that the Special Master's royalty figure does not include an increase to adjust the award for the so called *Panduit* factor. Although the Special Master discussed the *Panduit* factor in his Report, it appears that he did not alter his royalty award to adjust for the factors identified in *Panduit*. This court finds that such an increase is clearly warranted in this case. The plaintiff, a small company, was forced to pursue the defendant to and through time-consuming

and costly litigation in order to prevail on its patents. To now charge Nissei only a normal, routine royalty that a non-infringer would have paid would put Nissei in no worse position that if it had agreed to pay a license fee prior to beginning infringement. *See Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1563 (Fed. Cir. 1983).

Insofar as the damage award set by the Special Master is at the low end of the reasonable royalty figures on Nissei machines testified to by the experts, it seems clear that the Special Master did not include an increase to adjust the award for the *Panduit* factor. Indeed, the Special Master did not specifically identify any increase in his award to compensate the plaintiffs for their having to pursue Nissei through trial. Moreover, the Special Master did not indicate that the 8% figure arrived at was the reasonable rate "for an infringer" as some courts have done to show that a *Panduit* factor was included in the damage calculation. *See Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1563 (Fed. Cir. 1983). Accordingly, this court concludes that the Special Master either failed to adequately consider the so called *Panduit* factor or failed to give it significant weight.

In the interest of judicial economy and the consent of both parties, this court will not remand the case back to the Special Master so that he may determine the appropriate add-on to the reasonable royalty rate as required by *Panduit*. Instead, this court has solicited (and now received) the parties' views as to the appropriate increase and has reviewed the evidence and testimony presented at the damages phase of the trial. Based upon this information, the court finds that the reasonable royalty rate established by the Special Master should be increased by two percentage points to 10% in order

to adjust for the *Panduit* factor. Accordingly, this court GRANTS in PART the plaintiff's motion to modify the Special Master's Report and AMENDS the Special Master's Report to find that a reasonable royalty for Nissei as an infringer is equal to 10% of the sales price of Nissei's infringing machines or $1,686,812.72.

B. Prejudgment Interest

As to FMT's argument regarding prejudgment interest, it is clear that prejudgment interest should be awarded unless special circumstances exist. *General Motors v. Devex,* 461 U.S. 648 (1933). An award of prejudgment interest should typically begin to run from the date of the infringement so that the award will serve to make the patent holder whole. *General Motors v. Devex,* 461 U.S. 648 (1933); *Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 967 (Fed. Cir. 1986). In fact, the federal circuit has recently held that if a district court wishes to limit the amount of prejudgment interest to less than that authorized by *General Motors* that court's justification must "have some relationship to the award of prejudgment interest." *Radio Steel & Mfg. Co. v. MTD Products,* 788 F.2d 1554, 1557-58 (Fed. Cir. 1986). Therefore, it is clear that an award of prejudgment interest should run from the date of infringement unless the court makes findings of "special circumstances" which would justify the award running from some later date. Here, the Special Master found that the prejudgment interest should run from the date that FMT first offered Nissei a license (rather than the date of the sale of the machines). *See* Finding #57 pg 34 Special Master's Report. However, the Special Master

made no finding of special circumstances to justify that departure from the rule enunciated in *General Motors.* Therefore, this court GRANTS in PART FMT's motion to modify the Report of the Special Master and SUSTAINS FMT's objection to Special Master's finding Number 57 which awards prejudgment interest commencing on the date Nissei was first offered a license and AMENDS said finding so that prejudgment interest begins to run from the date of Nissei's infringement as required by *General Motors v. Devex,* 461 U.S. 648 (1933). The date of Nissei's infringement for each of the parisons found to infringe shall be the invoice date as found on the exhibits relating to each parison found to infringe. FMT shall obtain an independent determination of the application of the above prejudgment interest ruling to the damage award within ten (10) days following the entry of judgment.

C. Willful Infringement

The plaintiff argues that this case does present a scenario of willful infringement on the part of Nissei and that the Special Master's finding of no willful infringement is error. To support its argument, FMT points to essentially the same evidence as it presented in its argument for finding this case an exceptional case. Nissei, of course, argues that the Special Master was correct in his findings as regards willful infringement.

Having reviewed the plaintiff's argument and the Special Master's findings, this court finds that the Special Master applied the correct legal standard; that the finding is supported by substantial evidence; and that the plaintiff has

failed to carried his burden of showing that the Special Master's findings of fact as regards willful infringement were clearly erroneous. Therefore, this court DENIES the plaintiff's motion to modify the Report of the Special Master to the extent that motion seeks to modify or amend that portion of Special Master's Report which finds that Nissei did not willfully infringe FMT's patents.

FMT's Motion to Remove Confidentiality Restriction

The plaintiff seeks an order withdrawing the confidentiality designation placed on the record in the damages phase of the trial. FMT requests that the court make the entire proceedings open to the public except for the depositions of eight (8) Nissei customers which were offered but not read into the record, thereby keeping those depositions and the exhibits accompanying them confidential. (The plaintiff identifies those particular depositions and exhibits at issue in Docket Item No. 231 which was filed with the court under seal) FMT contends that these depositions should remain confidential only because they were designated confidential by the Nissei customers.

Nissei does not object to removing the confidentiality designation from the record of the trial of the damages phase except for those portions relations to (1) Nissei's profit margin; and (2) Nissei's customer list; and (3) the specific bottles made by the customers with Nissei's mold core rod combinations.

Nissei Customer Names

FMT argues that Nissei's customer's names should not remain confidential for two (2) reasons. First, FMT asserts that Nissei has waived any assertion of confidentiality (a) by listing its customers' names in an exhibit attached to the Pretrial Order; (b) by attaching to a motion in limine filed with this court on October 12, 1991 an exhibit which identified Nissei's customers by name and (c) by submitting certain drawings of parisons (which included the names of the Nissei's customers) into evidence in open court at the liability phase of the trial. Second, FMT asserts that the parties specifically agreed, during a July 30, 1991 telephone conference, that the customer names were not confidential information. FMT supports its position in this regard, by attaching a letter dated July 31, 1991 written to Carl Kustin by Theodore Breiner on behalf of FMT which purports to memorialize the attorney's agreement.

It is only for the court to address FMT's final argument. Having done so, this court finds that although the copy of the July 31, 1991 letter submitted to this court by FMT is unsigned, it evidences an agreement between the parties' attorneys that Nissei's customer's names would no longer be considered confidential information pursuant to the protective order. The court further finds that the defendant has failed to produce evidence to counteract the plaintiff's evidence in this regard. Accordingly, the court finds that the names of Nissei's customers are no longer considered confidential information and need not be redacted or deleted from either the Special Master's Report or the transcripts of the proceedings in the damages phase of this trial prior to those items being made public.

Nissei's Profit Margin

FMT argues that the information relevant to the determination of Nissei's profit margin is no longer confidential because, at the liability phase of this trial, FMT used, in open court and introduced into evidence (without objection by Nissei) certain documents, designated confidential, which would allow a person to calculate Nissei's profit margin. FMT argues that Nissei by failing to object to FMT's behavior waived its assertions of confidentiality as to information relevant to the determination of Nissei's profit margin.

This court finds that Nissei has not waived the confidentiality designation of its documents merely by allowing those documents to be used during the liability phase of the trial and/or by allowing those documents to be submitted into evidence at the liability portion of the trial. Accordingly, this information retains its confidential status and will not be made public over the objection of the defendant.

Nissei Bottle Types

FMT argues that Nissei's bottle types should not be considered confidential for three reasons. First, FMT argues that this information came into the public record when FMT used, in open court and introduced into evidence (without objection by Nissei) certain documents, designated confidential, that clearly state which bottles were produced for which customer. Second, FMT argues that some of these same documents were attached to certain motions filed (not under seal) in this case, and, are, therefore, now part of the

public record. Third, the court understands FMT to argue that the information is already known to numerous individuals and corporations because Nissei sells machines to their customers who produce bottles which are then filled with various products and sold to the ultimate consumer. According to FMT, all of these individuals and corporations are aware of which Nissei's bottle types are produced for each of its customers.

The court finds that only those documents which were attached to motions which were filed (and not designated to be filed under seal) have lost their confidentiality. The other documents at issue remain confidential under the protective order.

Nissei's Customer's Depositions

Because the plaintiff agrees to keep confidential the depositions and accompanying exhibits which are identified in Docket Item No. 231, this court holds that those depositions and accompanying exhibits should remain confidential despite this court's ruling on customer's names.

Based upon the above rulings, this court finds that the confidentiality designation should be lifted from all portions of both the trial record in the damages phase and the Special Master's Report except for those portions which address (1) Nissei's profit margin; and (2) those of Nissei's bottle types which have not been disclosed to the public as described in the court's discussion, above; and (3) the customer depositions and accompanying exhibits identified by the plaintiff in its motion.

Summary

The court hereby GRANTS IN PART and DENIES IN PART the plaintiff FMT Corporation, Inc.'s ("FMT") motion to modify the Report of the Special Master [Docket Item No. 228] and AMENDS the Special Master's Report as specified above.

For the reasons stated above and in the Special Master's Report, the court hereby ADOPTS the Report of the Special Master [Docket Item No. 225] as amended herein.

The court hereby GRANTS IN PART and DENIES IN PART the plaintiff, FMT's motion to remove confidentiality restriction [Docket Item No. 230] as specified above.

SO ORDERED, this 27th day of September, 1993.

G. ERNEST TIDWELL
JUDGE, UNITED STATES DISTRICT COURT

Entered on Docket October 5, 1993 by L.D.T., Clerk